

MANUFACTURING SUMMARY REPORT

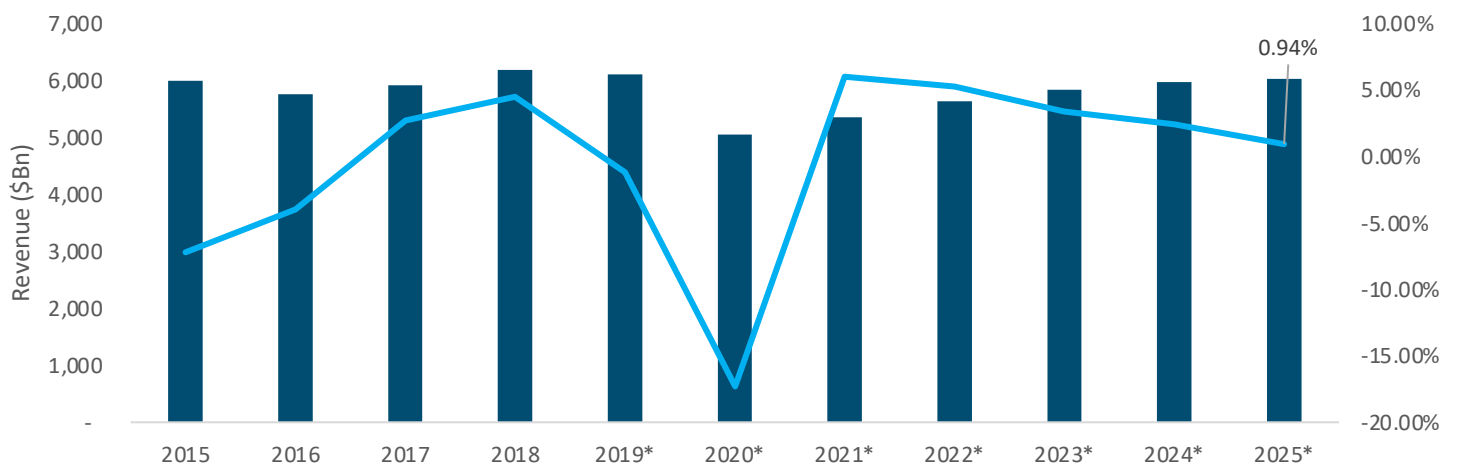
1st Quarter 2021 Outlook

MANUFACTURING OVERVIEW

- As uncertainty continues into 2021, progress and increased delivery of vaccines has led to hope of corrections both in the industry as well as deal activity to be seen in short-order. Increased innovation through investments in technology and sustainability, coupled with capital availability are likely to fuel M&A activity into the coming years as the industry looks to address new market demands.
- Consumer confidence and business investment plummeted in 2020, while the unemployment rate reached an all-time high, leading to heavily reduced industrial and manufacturing activity for the year. Operators were forced to cut manufacturing activity due to lack of demand and compliance with state regulations. Industry exports fell with the appreciating US dollar, weak commodity prices hampering demand from commodity-driven economics and policy or trade restrictions. Sector revenue is estimated to have declined around 17.3% in 2020.
- The Industrial Production Index (IPI), last published in December, was recorded at 105.7, a significant fall from pre-pandemic levels at 110. Although the effects of COVID-19 are expected to affect overall industrial and manufacturing activity into 2021, the sector is projected to recover through an economic rebound, providing a boost for industry demand. As improvements in oil pricing continues, we also expect the value of the dollar to fall, with a forecasted trade-weighted index decline of 1.5% over the next five years.
- Current trade restrictions and elevated tariffs may limit further increases in the value of imports as declines in US purchasing power weighs on imports, however these fluctuations in trade policies will likely not drastically affect globalization in the sector. With global supply chains being severely limited in 2020 as a result of the pandemic, it is likely that supply chains will be widely used in the coming years to compensate for previous lost revenue.
- Manufacturing processes are anticipated to change as goods become more interconnected with software and networks. Shifts in business structure, employment dynamics and value chains are likely to result from greater emphasis on software, as products become more predicated and simpler through increased data collections and software upgrades. As a result, simpler manufactured goods are expected to lead to greater commoditization, favoring production in low labor cost countries, thus, while employment in the sector is projected to increase, the average wage may see a moderate decline. Overall, revenue for the industry is projected to increase at a rate of 3.6% to \$6 trillion by 2025.

IBISWorld, Deloitte, The Fed, RCO Research.

INDUSTRY REVENUE



IBISWorld 2020.

FEATURED SEGMENT:

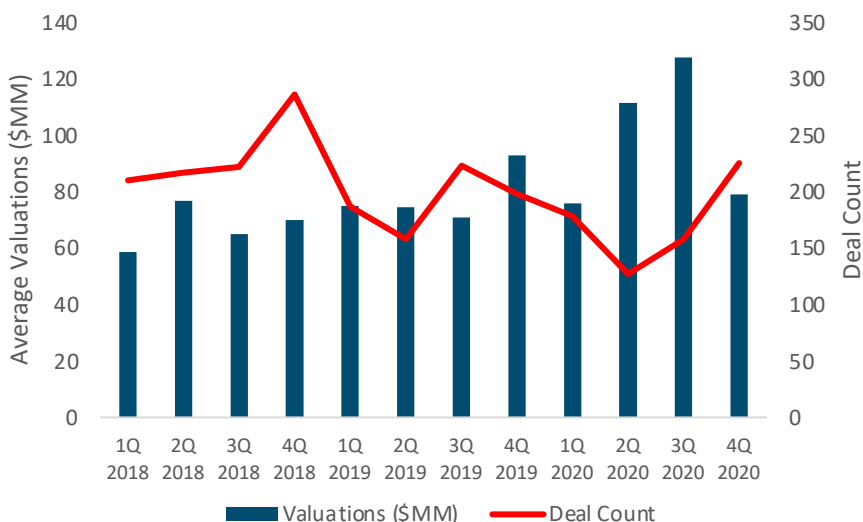
ELECTRICAL EQUIPMENT MANUFACTURING



- Serving a wide range of downstream markets, including utilities and manufacturers of consumer goods, performance in the electrical equipment manufacturing segment tends to be highly influenced by overall industrial markets and consumer spending. While a downturn in industrial drivers affected the sector, its diversity of end customers, from individual households to electric utility providers, have helped insulate the industry from major revenue fluctuations.
- Over the last five years, export values have fallen at a rate of 1.1% to \$14bn, while domestic manufacturers have lost market share as a result of import competition. Import supply is estimated to have accounted for 57.5% of demand in 2020, with surging import activity likely due to outsourced production to countries with lower labor costs.
- Companies have been increasingly exposed to power outages and other disruptions through increased computerization, resulting in heightened spending on industry goods to boost the efficiency of electrical supplies such as generators and uninterruptible power supplies.
- Despite drops in oil prices, demand for the sector's goods has been led by the drive toward environmentally friendly products and aging electrical infrastructure. Infrastructure improvements are expected to boost industry growth as new utility and power plant constructions emerge. Additionally, the Federal Energy Regulatory Commission (FERC) has introduced new transmission organizations responsible for operating the transmission portion of the US electrical grid. These new organizations are expected to boost investments in transmissions and power grid reliability while reducing discriminatory transmission practices.
- Electrical equipment demand is expected to be further stimulated by nonresidential construction and building activity, where the need for electrical equipment such as control and electric motors used in HVAC products is high. As unemployment levels fall and the economic outlook improves, developers are expected to begin larger investments in new and current units, with nonresidential construction activity estimated to rise at 4% over the next five years, leading to growing demand for electrical equipment products.

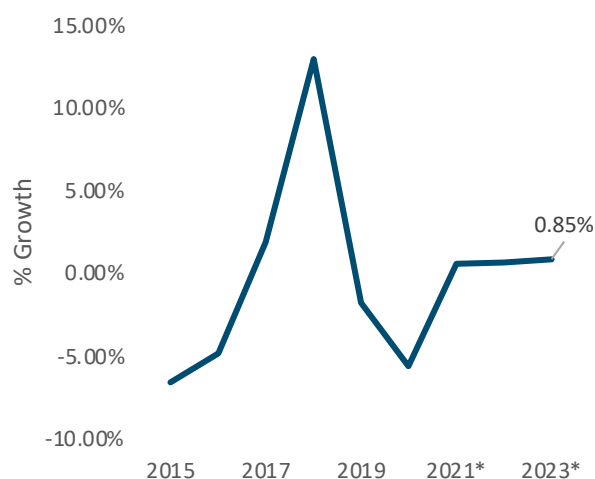
IBISWorld, FERC, RCO Research.

NORTH AMERICAN DEAL COUNT & AVERAGE VALUATIONS – UP TO \$250MM

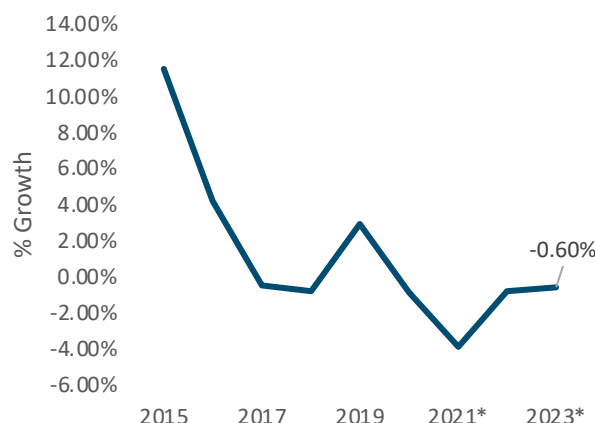


PitchBook data through December 31, 2020.

ELECTRICAL EQUIPMENT MANUFACTURING DEMAND



TRADE-WEIGHTED INDEX (TWI)



*Indicates forecasted industry revenue prior to current impacts of COVID-19. IBISWorld.

AVERAGE INDUSTRY PERFORMANCE AND MULTIPLES

TEV Range (\$MM)	Revenues (\$MM)	EBITDA Margin %	TEV / EBITDA
10-25	\$20.2	18.8%	5.6x
25-50	\$39.3	19.7%	6.1x
50-100	\$65.5	20.2%	6.9x
100-250	\$139.5	19.6%	7.5x

GF Data® 2003 through December 31, 2020.

R&C MANUFACTURING INDICES



MANUFACTURING INDEX



Peer Group	As of 12/31/2020			TTM 12/31/2020		EV Multiples	
	\$ / share	Market Cap	Enterprise Value	Sales	EBITDA	TTM Sales	TTM EBITDA
Johnson & Johnson Services Inc	\$ 157.38	\$ 414,309.57	\$ 421,286.57	\$ 80,856.00	\$ 26,195.00	5.2x	16.1x
ExxonMobil Corporation	41.22	174,287.81	241,466.81	195,860.00	25,831.00	1.2x	9.3x
Boeing Co.	214.06	120,843.22	154,954.22	60,765.00	(4,197.00)	2.6x	-36.9x
General Motors Co	41.64	59,599.65	145,882.65	115,793.00	11,760.30	1.3x	12.4x
Ford Motor Company	8.79	34,970.38	148,736.38	130,907.00	8,938.00	1.1x	16.6x

ELECTRICAL EQUIPMENT MANUFACTURING INDEX



Peer Group	As of 12/31/2020			TTM 12/31/2020		EV Multiples	
	\$ / share	Market Cap	Enterprise Value	Sales	EBITDA	TTM Sales	TTM EBITDA
General Electric Company	\$ 10.80	\$ 94,606.63	\$ 89,558.63	\$ 83,928.00	\$ 16,659.00	1.1x	5.4x
Schneider Electric SE	141.89	80,657.32	87,760.74	28,234.76	4,633.73	3.1x	18.9x
ABB Ltd.	27.96	58,228.04	59,741.04	26,020.00	2,328.00	2.3x	25.7x
Emerson Electric Co.	80.37	48,179.29	52,765.29	16,785.00	3,345.00	3.1x	15.8x
Eaton Corporation PLC	120.14	47,887.80	55,690.80	18,409.00	2,699.00	3.0x	20.6x

PitchBook data through December 31, 2020.

FEATURED MANUFACTURING TRANSACTIONS



On December 31, 2020, Concentric AB, a Sweden-based pump manufacturer, announced the acquisition of power transmission product manufacturer Allied Enterprises.

Acquired by



Allied is a manufacturer and distributor of power transmission products in Muncie, Indiana. The company offers products that include charge pumps, gears and hydraulic components to the construction, agricultural, material handling and aftermarkets for equipment rated below 150 horsepower.

Total cash consideration equated \$11.7MM.¹

On December 24, 2020, KPS Capital Partners announced the acquisition of metal product manufacturer Hussey Cooper.

Hussey Copper is a manufacturer of copper and copper alloy products. The company's capabilities extend from melting and casting primary metal to deliver finished components and products that include copper bus bar, copper sheets, transformer winding, copper tapes, copper-nickel alloy sheets and plates, copper strip, sheet and plate for various industries.

Total consideration equated \$45MM.²



Acquired by



Acquired by



On December 15, 2020, Pedrollo Group S.p.A. announced the acquisition of pump manufacturer Superior Pump.

Superior Pump is a manufacturer of hydraulic pumps based in Minneapolis, Minnesota. The company engages in the design, manufacture and marketing of residential and commercial water pumps, leveraging manufacturing capabilities to deliver products to its wide array of North American-based customers.

Total terms of the transaction were undisclosed³.

PitchBook.

1. Transaction Press Release, dated Jan 02, 2021. <https://www.prnewswire.com/news-releases/concentric-has-acquired-allied-enterprises-llc-301199897.html>
2. Transaction Press Release, dated Dec 24, 2020. <https://www.prnewswire.com/news-releases/kps-capital-partners-completes-acquisition-of-hussey-copper-301197880.html>
3. Transaction Press Release, dated Dec 15, 2020. <https://chartwellfa.com/news/chartwell-advises-michel-family-and-superior-pump-majority-sale-to-pedrollo-group>

ROMANCHUK & CO. FIRM CAPABILITIES



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

opportunities, and help them execute upon those strategies. Our team of licensed investment bankers specializes in providing sell-side M&A advisory services to lower middle-market companies with enterprise values ranging from \$15 million to \$250 million. For more information, please visit our website at www.romanchukco.com.

RECENT EXPERIENCE

Our most recently closed deals showcase our firm's unique ability to execute transactions across the diversified industrials sectors, while maximizing value for our clients in the lower middle-market. Drawing on our collective industry 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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