

Industrial M&A Market Showing Signs of Recovery Following COVID 19 Pause

Industrial M&A activity remained strong during early 2020 until the impact of COVID 19 and the government-imposed shutdowns closed economies around the world. As a result, the market saw a decline in the total number of industrial related transactions completed during 1Q and 2Q 2020 compared to the same period in 2019.

Despite the pause in M&A activity due to COVID 19, the amount of capital seeking acquisition targets (both from financial sponsors and capital on strategic buyer balance sheets) continues to exceed the availability of quality acquisition candidates. We expect this supply/demand dynamic to remain out of balance (much to the benefit of sellers) as historically low -interest rates, and the need for growth will continue to act as tailwinds for industrial M&A transactions.

Despite uncertainties attributable to COVID 19, companies continue to view M&A as the most efficient path to achieve top-line growth. In addition to revenue growth, M&A will

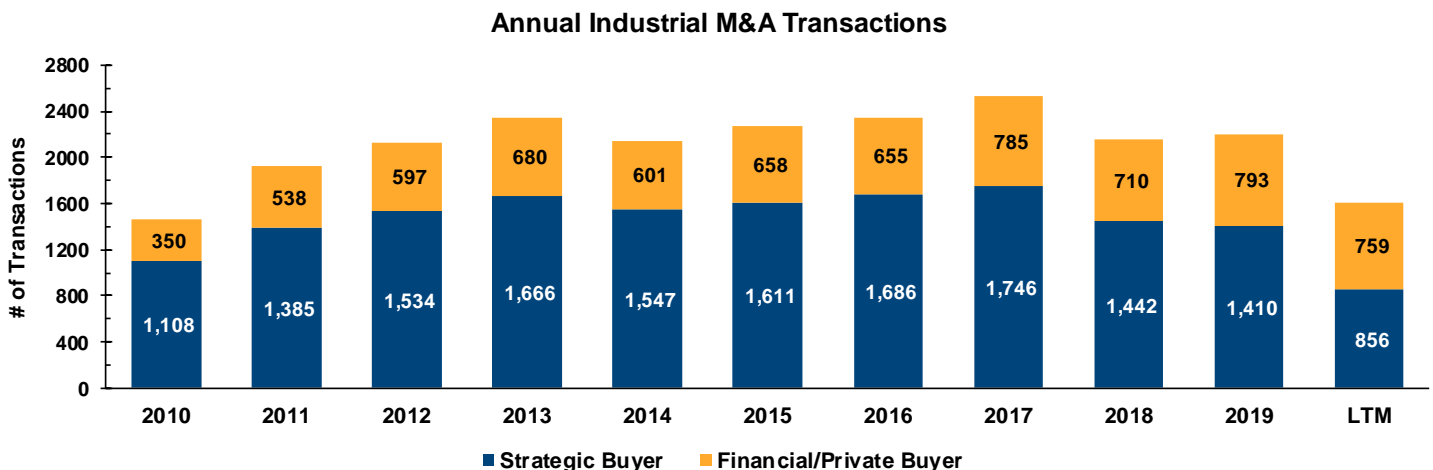
represent the fastest route for acquirers to increase market share and expand service offerings and capabilities.

As companies begin to re-focus on long-term strategic growth as economies around the world adjust to the new normal of COVID, there are several positive factors that should support the deal-making landscape in 2H 2020 and into 2021. A defining feature of the current M&A environment is the record level of dry powder from private equity funds, who hold approximately \$2.4 trillion of capital that must be invested in new platform investments or used to acquire add-on companies for existing platform investments.

There is no doubt that the uncertainty related to COVID and the rhetoric of the impending US elections will continue to create “choppy waters.” However, we are confident that M&A will once again become a primary tool for growth in the industrial market as we close out 2020, and buyers (strategic and financial) turn their attention to 2021.









Industrial M&A Transactions by Year

(Strategic Buyers Include Private Equity Owned Companies)



Source: EdgePoint Proprietary Database, Company Filings, Pitchbook, CapIQ, News Releases

Notable Recently Announced and Closed Industrial Transactions

Date:	Overview / Strategic Rationale:	Industry
Date: 3/27/2020 (Closed)	Overview / Strategic Rationale:	Electronics Manufacturing
Target: 	Kyocera is a leading provider of innovative, high-quality products based on advanced materials and components spanning various end markets, including the automotive, semiconductor and medical industries.	
Acquirer: 	<ul style="list-style-type: none"> The purchase of all of the outstanding shares of AVX adds a leader in electronic components, sensing and control devices to Kyocera's growing advanced technology portfolio. The acquisition further expands Kyocera's reach into telecommunications, automotive, transportation, military/aerospace, medical, computer and industrial markets. 	
Key Metrics: Implied Enterprise Value (\$M) \$2,987 EV/LTM EBITDA 9.6x EV/LTM Revenue 1.9x		
Date: 2/17/20 (Announced)	Overview / Strategic Rationale:	Transportation
Target: 	Alstom develops and markets integrated systems for the transportation industry. It offers a complete range of equipment and services, from high-speed trains, metros, trams and e-buses to customized services and digital solutions.	
Acquirer: 	<ul style="list-style-type: none"> By acquiring Bombardier Transportation, Alstom has further enhanced its global position in the transportation market. Bombardier Transportation will bring a complementary geographical presence as well as a portfolio of innovative technologies to Alstom. Post-transaction, Montreal will become the headquarters for Alstom's Americas operations. 	
Key Metrics: Implied Enterprise Value (\$M) \$8,072 EV/LTM EBITDA 39.0x EV/LTM Revenue 1.0x		
Date: 1/30/2020 (Announced)	Overview / Strategic Rationale:	Transportation
Target: 	TRATON, a division of Volkswagen, is one of the world's largest commercial vehicle manufacturers. Specifically, TRATON holds leading market positions for commercial trucks in both South America and Europe. The Company's brands include MAN, Scania, Volkswagen Caminhões e Ônibus and RIO.	
Acquirer: 	<ul style="list-style-type: none"> TRATON and Navistar have benefitted from a strategic alliance in 2017. Navistar's North American market leadership, combined with TRATON's international presence enhances the global reach and capabilities of the combined company. The transaction is expected to deliver increased purchasing power and technological collaboration in the industry. 	
Key Metrics: Implied Enterprise Value (\$M) \$7,383 EV/LTM EBITDA 9.2x EV/LTM Revenue 0.7x		
Date: 1/29/20 (Closed)	Overview / Strategic Rationale:	Aerospace
Target: 	Stanley Black and Decker operates the world's largest tools and storage business, in addition to the world's second largest commercial electronic security company, and an engineered fastening business.	
Acquirer: 	<ul style="list-style-type: none"> The acquisition of CAM further expands SB&D's portfolio of engineered fasteners. CAM designs and manufactures highly engineered hardware and fasteners solutions for aerospace applications globally. CAM was owned previously by Tinicum, a private investment firm 	
Key Metrics: Implied Enterprise Value (\$M) \$1,500 EV/LTM EBITDA NA EV/LTM Revenue 4.0x		
Source: Company Filings, Pitchbook, CapIQ, News Releases		

Recent Announced & Closed Transactions *(select transactions, not intended to be all-inclusive)*

Date	Acquirer	Target	Target Description	Price (\$MM)	Revenue Multiple	EBITDA Multiple
AEROSPACE & DEFENSE						
7/31/2020	BAE Systems plc	Military Global Positioning System Business Of Collins Aerospace	Military Global Positioning System Business Of Collins Aerospace was acquired by BAE Systems plc.	\$ 1,925	0.0x	0.0x
5/31/2020	Mitsubishi Heavy Industries, Ltd.	Canadair Regional Jet Program of Bombardier Inc.	Canadair Regional Jet Program of Bombardier Inc. comprises maintenance, support, refurbishment, marketing, and sales operations of Canadair Regional Jet series.	\$ 750	0.0x	0.0x
5/2/2020	BAE Systems plc	Airborne Tactical Radios Business of Raytheon Company	Airborne Tactical Radios Business of Raytheon Company was acquired by BAE Systems plc.	\$ 275	0.0x	0.0x
4/3/2020	Bodycote plc	Ellison Surface Technologies, Inc	Ellison Surface Technologies, Inc. manufactures thermal spray coating and performance coating solutions.	\$ 200	0.0x	0.0x
2/24/2020	Stanley Black & Decker, Inc.	Consolidated Aerospace Manufacturing, LLC	Consolidated Aerospace Manufacturing, LLC engages in the design and manufacture of fittings, precision aerospace/aircraft components, hardware, and fastening	\$ 1,500	4.0x	0.0x
BUILDING PRODUCTS						
8/18/2020	SiteOne Landscape Supply, Inc.	Modern Builders Supply, Inc.	Modern Builders Supply, Inc. operates as distributor of building materials.	\$ -	0.0x	0.0x
8/17/2020	SiteOne Landscape Supply, Inc.	Alliance Stone, LLC	Alliance Stone, LLC distributes natural stones, pavers, and modular retaining wall products to homeowners and landscape specialists throughout Atlanta, North Georgia, and Western North Carolina.	\$ -	0.0x	0.0x
7/27/2020	Armstrong World Industries, Inc.	Turf Design Inc.	Turf Design Inc. designs and manufactures ceilings and wall products primarily used in commercial building applications.	\$ 118	4.7x	0.0x
3/6/2020	Eagle Materials Inc.	Kosmos Cement Plant and Related Assets of Kosmos Cement Company	Kosmos Cement Company comprises a cement plant, a limestone quarry, and cement distribution terminals.	\$ 665	0.0x	12.1x
CHEMICALS, PLASTICS, & SPECIALTY MATERIALS						
5/18/2020	Huntsman Corporation	CVC Thermoset Specialties, Inc.	CVC Thermoset Specialties, Inc. manufactures and sells specialty epoxy resins, elastomer modified epoxy resins, epoxy functional monomers and modifiers, catalysts, and accelerators.	\$ 306	2.7x	10.0x
3/30/2020	DuBois Chemicals, Inc.	Cimcool Business of Milacron LLC	Cimcool Business of Milacron LLC comprises manufacturing business of metalworking fluids.	\$ 250	0.0x	0.0x
ENERGY, POWER, & INFRASTRUCTURE						
7/19/2020	Chevron Corporation	Noble Energy, Inc.	Noble Energy, Inc. engages in the acquisition, exploration, development, and production of crude oil and natural gas worldwide.	\$ 13,757	3.5x	5.8x
6/22/2020	WESCO International, Inc.	Anixter International Inc.	Anixter International Inc., distributes enterprise cabling and security solutions, electrical and electronic wire and cable solutions, and utility power solutions worldwide.	\$ 5,001	0.6x	9.3x
SPECIALTY DISTRIBUTION						
3/30/2020	Fastenal Company	Certain assets of Apex Industrial Technologies LLC	Apex Industrial Technologies LLC was acquired by Fastenal Company.	\$ 125	0.0x	0.0x
2/19/2020	Ferguson plc	Columbia Pipe & Supply Co.	Columbia Pipe & Supply Co. supplies pipes, valves and fittings, plumbing products, hydronic equipment, and HVAC equipment and supplies for contractors, industries, OEMs, MROs, and institutional clients, such as hospitals, schools, and commercial property managers in the United States.	\$ -	0.0x	0.0x
2/7/2020	BlackHawk Industrial Distribution, Inc.	J&S Tool Company, Inc.	J&S Tool Company, Inc. is a supplier of metal cutting tools.	\$ -	0.0x	0.0x
1/31/2020	BlackHawk Industrial Distribution, Inc.	MT Supply, Inc.	MT Supply, Inc. operates as a distributor of perishable cutting tools, abrasives, and measuring equipment.	\$ 28	0.0x	0.0x

Source: EdgePoint Proprietary Database, Company Filings, Pitchbook, CapIQ, News Releases

Key Metrics

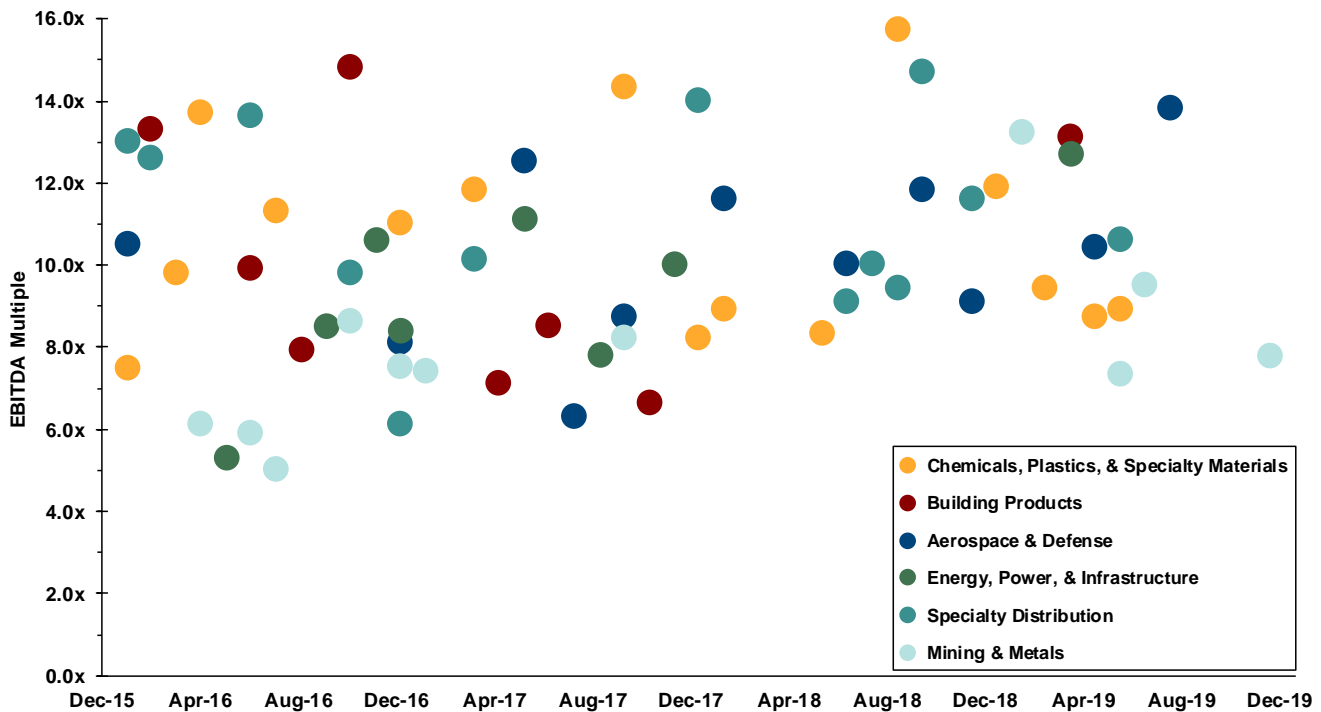
The majority of transaction activity in the industrial landscape during the last 12 months occurred in two primary sub-sectors: building products (27.1%), and specialty distribution (21.8%). These sub-sectors accounted for approximately 50% of announced and completed transactions in the industrial industry during the last 12 months as these two sub-sectors were less impacted by the COVID 19 shutdowns compared to other industrial sectors.

As evidenced in the table below (Select Transaction Multiples), transaction values across key sub-sectors of the industry have not deteriorated materially despite the market volatility as

strategic consolidators aggressively bid for high quality acquisition targets. The average reported EV/EBITDA multiple paid by buyers across the industrial landscape deteriorated slightly from 2019 levels (10.0x) to 9.2x (average transaction size \$250 million), highlighting the ongoing trend of buyers pursuing high-quality targets aggressively.

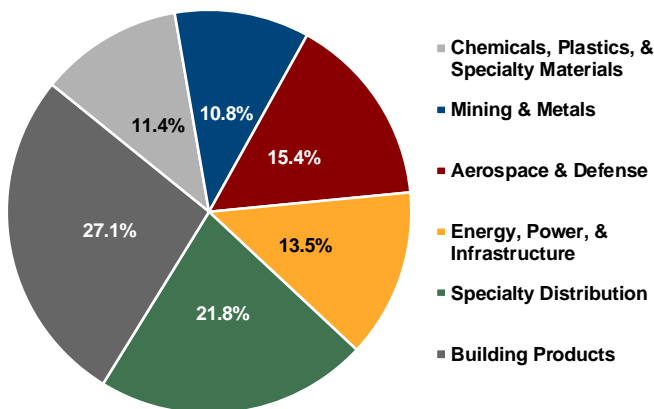
Strategic and private-equity-backed portfolio companies accounted for the majority of transaction activity during the last 12 months. These buyers view the current market dislocation as an opportunity to M&A to increasing operational efficiencies and scale through targeted acquisitions.

Select Transaction Multiples

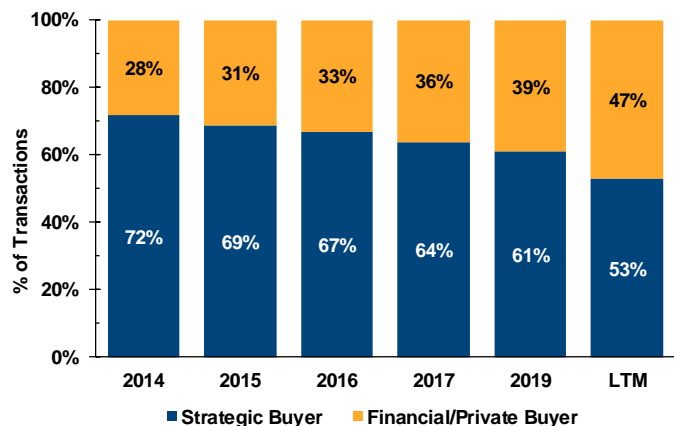


Source: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

Transactions by Sub-Sector (LTM)



Share of Transactions by Buyer Type



Sub-Sector Profile: Building Products Distribution

The building products distribution sub-sector continues to experience robust deal flow from large strategic buyers despite the impact of the pandemic. Strong secular trends, including increased exits from the city center to less dense neighborhoods, have helped drive industry activity.

Buyers in this sub-sector have utilized M&A as a means to drive above-average growth for several years. These buyers actively look to acquire regional distributors. To fuel continued growth, these buyers will continue to hunt for future deals to enhance their market share and regional presence.

Among the active buyer universe, SiteOne Landscape Supply continues to be one of the most aggressive buyers as it looks to further consolidate the fragmented landscape supply industry. Year-to-date, SiteOne has announced six transactions. SiteOne's recent acquisitions have spanned geographies across the US, ranging from the Northeast to the Pacific Northwest.

Foundation Building Materials and ABC Supply Company continue to expand their operations through acquisition. FBM expanded its locations in the mid-Atlantic through its first quarter purchases, while ABC expanded its reach in its home territory of Wisconsin with its acquisition of Midwest Wholesale Material Company.

The proposed mega-merger between Builders FirstSource and BMC is the industry's largest M&A transaction in 2020. The combination would create an industry leader with over \$11 billion in annual revenue. The merger is pending antitrust approval.

The outlook for deals for the remainder of 2020 is expected to remain healthy. Driven by emerging secular trends in housing, e.g. population shifting from city-centers to suburbs, the demand for housing will outpace supply, leading to additional construction and further renovation. To sustain above market growth rates, M&A activity will be an essential tool for these industry leaders.

Active Building Products Buyers

Select Strategic Buyers	Date of Investment	Acquisition Activity
	08/18/2020	<ul style="list-style-type: none"> • Modern Builders Supply • Alliance Stone • Big Rock Natural Stone and Hardscapes • The Garden Department • Empire Supplies • Wittkopf Landscape Supplies
	08/17/2020	
	03/09/2020	
	01/14/2020	
	01/07/2020	
	01/02/2020	
	02/05/2020	<ul style="list-style-type: none"> • Insulation Distributors, Inc. • Associated Drywall Suppliers, Inc.
	01/06/2020	
	08/27/2020	<ul style="list-style-type: none"> • BMC • Bianchi & Company
	01/09/2020	
	03/13/2020	<ul style="list-style-type: none"> • Exterior Building Supply • Midwest Wholesale Material Co.
	01/20/2020	

Analysis: Mary Barra Steers GM through Challenges

2020 was supposed to be the inflection point for GM after the prior year was spent laying the groundwork for the company's transformation. In 2019, GM took significant steps to reshape its business to position the company for future growth. In the first quarter of 2020, the company was forced to confront a global pandemic that significantly impacted sales and operations. As the company navigates significant disruption, it remains keenly focused on rolling out its Electric Vehicle (EV) strategy, which is expected to drive significant future growth .

In 2019, GM faced multiple challenges in its plans to reshape the business. In 2018, the company announced its plans to close the Lordstown, Ohio facility and three other plants. The last car rolled off the Lordstown line in March of 2019, and rather than close the plant, GM classified its status as idle. The unclear status was a significant contributor to a 40-day strike by the United Auto Workers (UAW) union. The union eventually accepted an offer from GM. The agreement places a new line of electric vehicles at a Michigan plant, while GM also agreed to build a new battery production plant in the Lordstown area. The strike delayed the launch of new vehicles and also led to product shortages, most notably GM pickups.

With 2019 behind it, the company had big plans for 2020. However, in February, GM was forced to idle factories in China and eventually North America due to the spread of COVID-19. As the pandemic spread, GM signed a deal with the US Government to leverage its manufacturing capabilities to produce ventilators. In total, GM will have produced 30,000 ventilators. The company also took the initiative to produce masks and other PPE. For Barra, the decision was very personal as her brother is a physician.

As GM looks at the remainder of 2020, CEO Mary Barra's primary focus remains on the EV strategy. The company is spending \$20 billion in capex and research and development on EV and driverless cars over the next five years. Despite significant market cap gains from Tesla, Barra believes that GM has the strength and volume to be the industry leader in EV's. The Company is spending significant time to convince the investment community that GM is charting the right course. On the latest earnings call, analysts asked if GM would consider a spin-off of a significant portion of its EV business to unlock shareholder value. Barra indicated that "nothing is off the table."

Time will tell if GM is making the right moves with its EV strategy. The company has made significant investments and expects to be a leader in EVs. Insiders and analysts will observe closely to see if this happens under the GM umbrella.

Select Quotes

"[Regarding the pandemic and effect on strategy] Everybody demonstrated this commitment of 'We're not slowing down. We're going to find a way.'"

- September 4 WSJ Interview

"We have a very strong plan that we are executing. When I look at our electric vehicle programs, what we're doing from a customer-experience perspective, our battery technology—to me it just drives even more commitment to execute what we're doing faster."

- September 4 WSJ Interview

"We are open to looking at and evaluate anything that we think is going to drive long-term shareholder value. So I would say nothing is off the table."

- June 29 Earnings Transcript



Cadillac Lyriq, GM's Latest EV Model

What We are Reading:

Boeing Order Cancellations Outpace New Sales (CNBC)

Boeing customers canceled plans to buy 43 737 MAX planes in July, as cancelled orders have outpaced sales for six consecutive months. Boeing has announced production cuts for some of its aircraft including the 737 MAX and 787 Dreamliner. These cuts are due to continued low demand for planes as a result of the coronavirus pandemic. The pandemic has added to Boeing's troubles since March 2019 after the grounding the 737 MAX program. Boeing leadership is hopeful that aircraft demand will begin to recover in the second half of 2021.

China Has Managed to Recover “Very, Very Quickly,” Siemens CEO Says (CNBC)

Between April and June, Siemens has seen Chinese orders increase by 6% compared to the prior year. Siemens expects the ongoing economic crisis to continue to have an impact on its overall business. The company is still planning to complete the spin-off and public listing of Siemens Energy before the end of its fiscal year.

Tesla Pulls Ahead in the Coronavirus Era after Elon Musk’s Years of Struggle (Wall Street Journal)

Tesla is shaping up to be one of the biggest business winners of the COVID-19 era. After years of losses, Tesla has sustained a profit through one of the worst economic shocks in history. It is expanding rapidly while other car manufacturers are losing money and cutting production. The company's market cap exceeds that of Toyota and Volkswagen, combined. Moreover, Tesla continues to develop new models, while analysts question the sustainability of recent profitability.

For Robots, It’s a Time to Shine (and Maybe Disinfect) (New York Times)

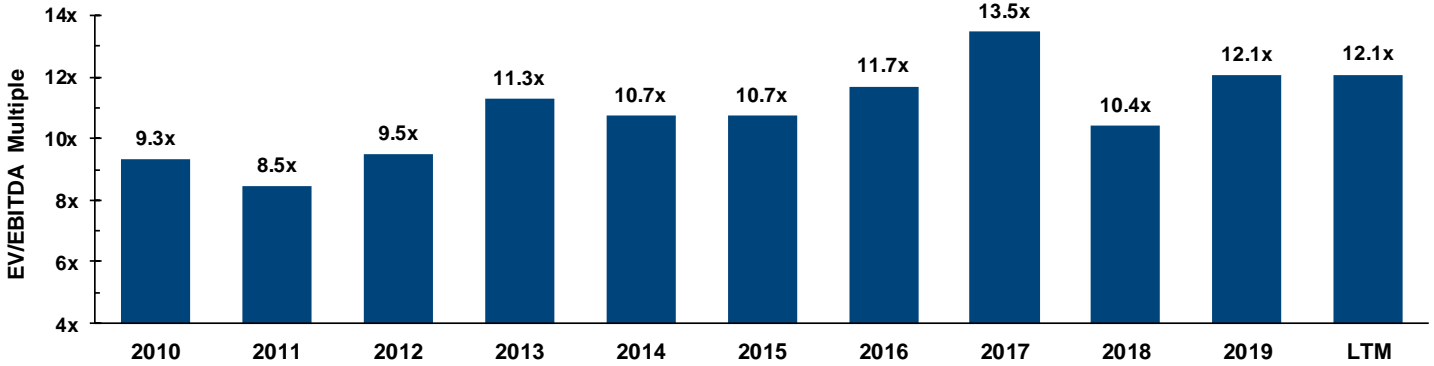
As the coronavirus has created an increased demand for thorough, reliable and frequent cleaning; robots are having a moment in commercial real estate. Manufacturers are promoting cleaning robots as cost-effective solutions to cleaning challenges posed by the pandemic. The machines are equipped with software that allows them to follow approved patterns consistently. The machines are good at cleaning large swaths of carpets and floors, allowing employees to focus on "high-touch" areas.

Reshoring Advanced Manufacturing Supply Chains to Generate Good Jobs (Brookings)

The COVID-19 pandemic has quickly revealed that supply chains for critical medical products such as PPE quickly lead outside the United States. China is the main supplier for PPE, and as it reduced exports to deal with its own crisis, it created supply shortages in the US. Reshoring these manufacturing services has the potential to shorten supply chains, increase domestic capacity and create employment opportunities in the US.

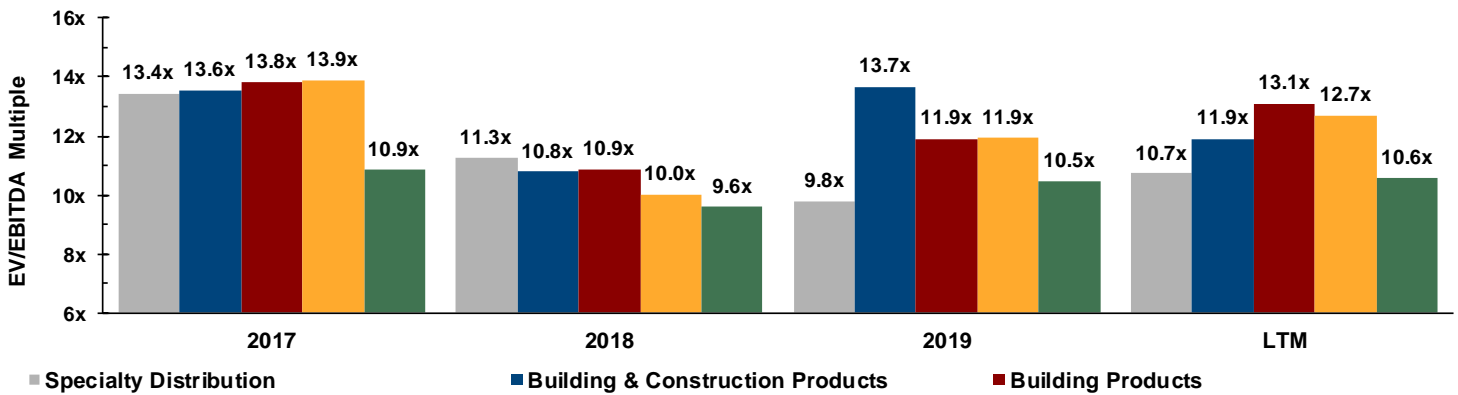
Public Company Comparisons Trading Multiples

Industrial Public Comparables Composite: EV/EBITDA Multiples



Source: CapIQ, public trading data as of September 4, 2020

Industrial Sub-Sector Public EV/EBITDA Multiples



Source: CapIQ, public trading data as of September 4, 2020

Representative EdgePoint Industrial Transactions

 has sold to 	 has sold to an Undisclosed Buyer	 has been acquired by 	 has sold to 	 has sold to
 has been recapitalized by 	 has sold to 	 has sold to 	 has sold to 	 have sold to



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