



## INDUSTRIAL MANUFACTURING

Q3 & Q4 | 2017

### Industrials M&A Activity: Increasing Valuations Continue to Motivate Sellers

Despite the overall number of transactions declining slightly in 2017, the M&A market for industrial manufacturing companies remains active. Buyers continue to purchase quality businesses at valuations attractive to sellers.

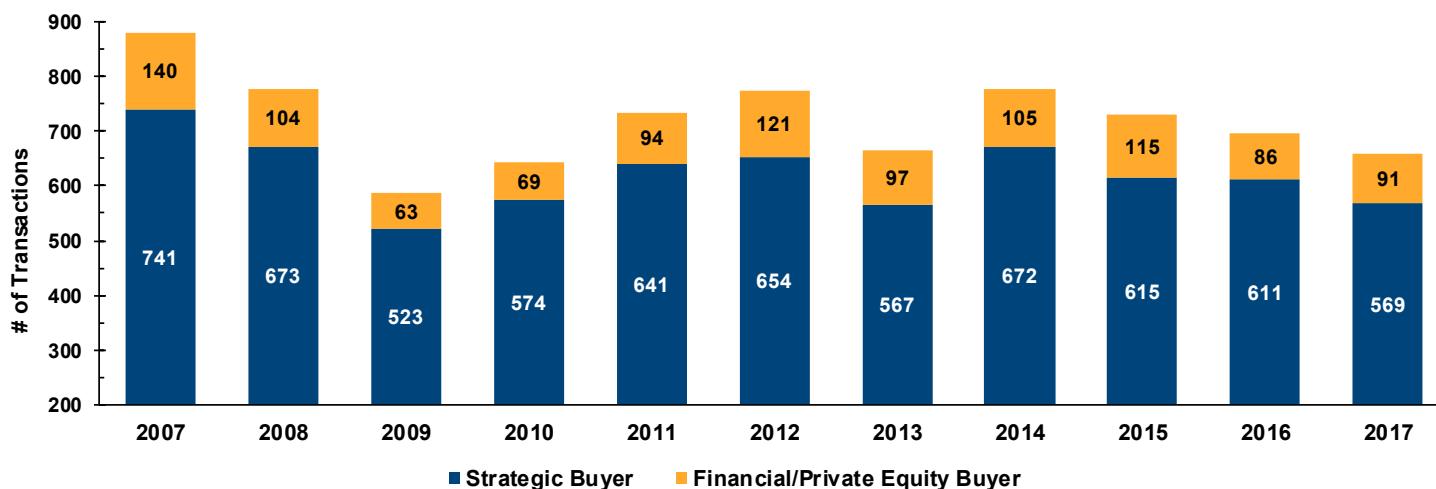
Evolving technologies, such as electric vehicles, additive manufacturing, robots, and the Internet of Things, are causing major disruption to industrial manufacturers. Acquisitions are an ongoing source for manufacturers to onboard these critical technologies and keep pace with market trends, and maintain their competitive positions. By turning to M&A, manufacturers are reducing dependence on products that are cyclical in nature as well, through acquisitions that bring diversification across their product portfolios and end markets.

EdgePoint continues to track M&A activity across six industry subsectors: Engineered Products, Precision Manufacturing, Industrial Technology & Equipment, Polymers & Chemicals, Aerospace & Defense, and Automotive & Truck. The volume of deals was lower in the second half of 2017 at 300 transactions, compared to 360 transactions during the first half of the year. However, the valuation sellers received increased for transactions in

which reported financial metrics were available. The median Transaction Value / EBITDA multiple (a proxy for valuation) was 12.5x for transactions with a median value of \$310 million. This multiple was three turns higher than 9.5x for transactions with a slightly smaller median value of \$277 million that were reported during the first half of the year.









The financial buyer community (including private equity firms and family offices) continues to deploy significant capital toward acquiring industrial manufacturing companies. There were 91 new platform investments made in 2017, compared to 86 investments in 2016. Financial buyers are attracted to the long-term growth prospects and ability to finance companies in the sector, and continue to pursue strategic acquisitions as a major source of growth for their portfolio companies. In many cases, they are willing to pay prices similar to or higher than strategic buyers for attractive businesses. Whether a manufacturer presents an add-on acquisition opportunity, or an attractive new platform investment, EdgePoint believes the financial buyer community, while representing only about 14% of tracked transactions, could be a viable exit option for business owners wishing to transition out of their company.

### Industrial Manufacturing M&A Transactions by Year



Sources: CapIQ, News Releases.

## Notable Announced or Closed Transactions

Announced: 9/4/2017	Overview / Strategic Rationale:	Aerospace & Defense
<p><b>Target:</b> </p> <p><b>Acquirer:</b> </p> <p><b>Key Metrics:</b>            Implied Enterprise Value (mm USD) \$30,943            EV/LTM EBITDA 22.6x            EV/LTM Revenue 5.0x</p>	<p>The United Technologies acquisition of Rockwell Collins adds tremendous capabilities to its aerospace businesses. Rockwell Collins avionics and IT solutions for commercial and military customers strengthens United Technologies' complementary offerings of technically advanced aerospace systems.</p> <ul style="list-style-type: none"> <li>The addition of Rockwell Collins' product offering will enhance United Technologies' customer value in a rapidly evolving aerospace industry by making aircraft more intelligent and connected.</li> <li>Its services are highly complementary to United Technologies' existing capabilities, and the combination creates a premier aerospace systems supplier.</li> </ul>	
Announced: 12/19/2017	Overview / Strategic Rationale:	Engineered Products
<p><b>Target:</b> </p> <p><b>Acquirer:</b> </p> <p><b>Key Metrics:</b>            Implied Enterprise Value (mm USD) \$3,910            EV/LTM EBITDA 10.4x            EV/LTM Revenue 1.7x</p>	<p>Signode's geographic and product mix provides a strong platform for value-creating growth, with operations in 40 countries across six continents and \$2.3 billion in annual sales. This combination creates strategic enhancements to Crown's existing business along with adjacent products to complement its current protective packaging offerings.</p> <ul style="list-style-type: none"> <li>Signode offers a portfolio of premier transit and protective packaging production to extend Crown's existing metal packaging business.</li> <li>The acquisition broadens and diversifies Crown's customer base for critical in-transit protection to high-value, high-volume goods across a number of end markets.</li> </ul>	
Announced: 12/14/2017	Overview / Strategic Rationale:	Polymers & Chemicals
<p><b>Target:</b>             (Albemarle Corporation—Polyolefin Catalysts Business)</p> <p><b>Acquirer:</b> </p> <p><b>Key Metrics:</b>            Implied Enterprise Value (mm USD) \$416            EV/LTM EBITDA 12.8x            EV/LTM Revenue N/A</p>	<p>The W.R. Grace and Co. acquisition of the Polyolefin Catalysts business of Albermarle Corporation expands its leadership position in the market. Polyolefin Catalyst is a global leader in proprietary and custom-manufactured single-site catalysts, as well as metallo-cenes and activators.</p> <ul style="list-style-type: none"> <li>The acquisition strengthens Grace's catalysts technology portfolio, commercial relationships, and manufacturing network.</li> <li>The Polyolefin Catalysts business also enhances Grace's overall manufacturing platform through additional acquired capabilities, along with a significant avoidance of future capital spending.</li> </ul>	
Closed: 9/27/2017	Overview / Strategic Rationale:	Automotive & Truck
<p><b>Target:</b> </p> <p><b>Acquirer:</b> </p> <p><b>Key Metrics:</b>            Implied Enterprise Value (mm USD) \$367            EV/LTM EBITDA 15.4x            EV/LTM Revenue 1.1x</p>	<p>The Wabash National acquisition of Supreme Industries, Inc., a leading manufacturer of truck bodies, leverages the urbanization and E-commerce trends that are fueling a consumer preference for home delivery vs. purchasing at brick and mortar stores. The acquisition also supports Wabash National's efforts to expand in the final mile space, and accelerates its objective of becoming a more diversified industrial manufacturer.</p> <ul style="list-style-type: none"> <li>The acquisition delivers on Wabash National's strategy of reducing dependence on the Class 8 dry van market by providing critical mass in the higher margin, less cyclical medium and light body truck body segment.</li> <li>Wabash National should benefit from synergies created by Supreme Industries' product portfolio, manufacturing footprint, and enhanced economies of scale.</li> </ul>	

Sources: Company Filings, CapIQ, News Releases

Select Announced Or Closed Transactions *(Not intended to be all-inclusive)*

Announced / Closed	Date	Target	Buyers / Investors	Price (MM USD)	EBITDA Multiple	Cross-Border	Target Business Sub-Sector
Announced	Sep 18	Orbital ATK, Inc.	Northrop Grumman Corporation	\$9,429	15.4x	-	Aerospace & Defense
Announced	Sep 4	Rockwell Collins, Inc.	United Technologies Corporation	30,943	22.6x	-	Aerospace & Defense
Announced	Dec 25	Small Industrial Business of General Electric Company	Wolong Electric Group Co., Ltd.	142	-	Yes	Automotive & Truck
Closed	Dec 1	ARBOC Specialty Vehicles, LLC	Transit Holdings, Inc.	95	-	-	Automotive & Truck
Announced	Nov 23	Evatran, LLC	Zhejiang VIE Science & Technology Co., Ltd.	11	-	Yes	Automotive & Truck
Closed	Nov 1	Wam Industries, Inc., Aftermarket Business	Keystone Automotive Operations, Inc.	250	-	-	Automotive & Truck
Closed	Nov 1	Circle 5 Tool and Mold LP	Mosaic Capital Corporation	27	-	-	Automotive & Truck
Closed	Oct 17	InEvt Inc.	SF Motors Inc.	33	-	-	Automotive & Truck
Closed	Oct 1	Remaining 50% Stake in 3 Companies	WABCO Automotive & Vehicle Control Systems, Inc	250	-	Yes	Automotive & Truck
Closed	Sep 27	Supreme Industries, Inc.	Wabash National Corporation	367	13.2x	-	Automotive & Truck
Closed	Sep 19	R. H. Sheppard Co., Inc.	WABCO Holdings Inc.	145	-	Yes	Automotive & Truck
Announced	Sep 6	Element Fleet Management Corp., Heavy-Duty U.S. Truck Portfolio	Undisclosed Buyer	138	-	Yes	Automotive & Truck
Closed	Feb 1	Bimba Manufacturing Company, Inc.	Norgren Inc	198	14.9x	-	Engineered Products
Announced	Dec 20	Metathesis Catalyst IP and Business portfolio of Materia, Inc.	Umicore Precious Metals Chemistry USA, LLC	27	-	-	Engineered Products
Announced	Dec 19	Signode Industrial Group LLC	Crown Holdings, Inc.	3,910	10.2x	-	Engineered Products
Closed	Dec 11	Fluid Handling Business	CIRCOR International, Inc.	860	12.5x	-	Engineered Products
Closed	Dec 6	US Salt, LLC	Kissner USA Holdings Inc.	225	-	-	Engineered Products
Closed	Nov 30	LaPolla Industries, Inc.	Icyne Inc.	143	14.3x	Yes	Engineered Products
Closed	Nov 1	Accella Performance Materials Inc.	Carlisle Construction Materials Incorporated	670	-	-	Engineered Products
Closed	Oct 30	CCI Thermal Technologies Inc.	Thermon Group Holdings, Inc.	229	10.2x	Yes	Engineered Products
Announced	Oct 19	Delta T LLC	Lindsay Goldberg LLC; Lindsay Goldberg IV - A L.P.	500	-	Yes	Engineered Products
Closed	Oct 3	Pacific Insight Electronics Corp.	Methode Electronics, Inc.	138	9.2x	Yes	Engineered Products
Closed	Sep 12	Blue River Technology Inc.	Deere & Company	305	-	-	Engineered Products
Closed	Sep 8	Wellsys USA Corporation	Quench USA, Inc.	7	-	-	Engineered Products
Closed	Aug 15	East West Copolymer, LLC	Exxon Mobil Corporation	6	-	-	Engineered Products
Closed	Aug 14	UNAFLEX, LLC	Kadant Inc.	31	-	-	Engineered Products
Closed	Aug 9	Market Industries, Controlled Environment Equipment Corp and CMark Films, LLC	Scapa Group plc	10	8.3x	Yes	Engineered Products
Closed	Aug 7	Gemini Technologies, Inc.	Smith & Wesson Corp.	10	-	-	Engineered Products
Announced	Jul 7	Sparton Corporation	Ultra Electronics Holdings plc	310	14.1x	Yes	Engineered Products
Closed	May 9	Flag City Processing Partners, LLC	Targa Resources Corp.	65	-	-	Engineered Products
Closed	Feb 1	MacDon Industries Ltd.	Linamar Corporation	1,200	-	-	Industrial Equipment & Technology
Closed	Jan 12	Nu-West Industries, Inc. And Nu-West Mining, Inc.	Itafos	100	-	Yes	Industrial Equipment & Technology
Closed	Jan 11	HD Supply Waterworks and Operating Assets	Sulzer Pumps Equipment	215	-	Yes	Industrial Equipment & Technology
Announced	Dec 18	Husky IMS International Ltd.	Platinum Equity, LLC	3,850	-	Yes	Industrial Equipment & Technology
Closed	Dec 15	HD Supply Waterworks Group and Assets	Dometic Group AB (publ)	875	-	Yes	Industrial Equipment & Technology
Announced	Sep 25	GE Industrial Systems	ABB Ltd	2,600	-	Yes	Industrial Equipment & Technology
Announced	Aug 24	Visilift, LLC	Savaria Corporation	8	-	Yes	Industrial Equipment & Technology
Closed	Aug 8	R.P.M. Tech Inc.	Alamo Industrial, Inc.	17	-	Yes	Industrial Equipment & Technology
Announced	Jul 28	A-1 Specialized Services & Supplies, Inc., Platinum Group Metals Recycling Assets	Northam Platinum Limited	11	-	Yes	Industrial Equipment & Technology
Closed	Jul 14	Efficiency Production, Inc.	Trinity Shoring Products Inc.	42	-	-	Industrial Equipment & Technology
Closed	Feb 6	Clopay Plastic Products Company, Inc.	Berry Global Group, Inc.	475	9.0x	-	Polymers & Chemicals
Closed	Dec 26	OCI Partners LP	OCIP Holding LLC	61	13.5x	-	Polymers & Chemicals
Closed	Dec 18	Polyvinylidene Chloride Business of DowDuPont Inc.	SK Global Chemical Co., Ltd.	75	-	Yes	Polymers & Chemicals
Announced	Dec 14	Polyolefin Catalysts Business of Albemarle Corporation	W. R. Grace & Co.	416	12.8x	-	Polymers & Chemicals
Closed	Dec 11	Detrex Corporation	Italmatch USA Corporation	46	12.1x	-	Polymers & Chemicals
Announced	Dec 7	Israel Chemicals Ltd., Fire Safety and Oil Additives businesses	SK Capital Partners	1,000	-	-	Polymers & Chemicals
Closed	Nov 8	Calumet Superior, LLC	Husky Energy Inc.	435	-	Yes	Polymers & Chemicals
Closed	Nov 7	IPS Corporation	Encapsys, LLC	700	-	-	Polymers & Chemicals
Announced	Oct 31	TECH BLEND s.e.c.	Cabot Corporation	64	8.0x	Yes	Polymers & Chemicals
Closed	Oct 20	Royal Adhesives & Sealants, LLC	H.B. Fuller Company	1,575	-	-	Polymers & Chemicals
Closed	Oct 3	Pursell Agri-Tech, LLC	Stamicarbon B.V.	6	-	Yes	Polymers & Chemicals
Announced	Sep 21	Calgon Carbon Corporation	Kuraray Holdings U.S.A., Inc.	1,353	16.5x	-	Polymers & Chemicals
Closed	Sep 1	Tronox Alkali Corporation	Genesis Energy, L.P.	1,325	-	-	Polymers & Chemicals
Announced	Aug 22	Georgia-Pacific Chemicals LLC, Pine Chemicals Business	Ingevity Arkansas, LLC	315	-	-	Polymers & Chemicals
Announced	Jul 11	Dynaloy, LLC	Versum Materials, Inc.	13	-	-	Polymers & Chemicals
Closed	Jun 30	ADI Systems Inc. and Lange Containment Systems Inc. and Geomembrane Technologies Inc.	Evoqua Water Technologies LLC	75	-	Yes	Polymers & Chemicals
Closed	Jan 24	B&F Design Inc.	Cyient Defense Services Inc.	6	-	-	Precision Manufacturing
Closed	Dec 11	Talon Innovations Corporation	Ichor Holdings, LLC	130	-	-	Precision Manufacturing
Closed	Nov 30	The Rapid Manufacturing Group LLC	Proto Labs, Inc.	120	-	-	Precision Manufacturing
Closed	Nov 21	Arc Drilling, Inc.	Washington Equity Partners	-	-	-	Precision Manufacturing
Closed	Aug 21	Sierra Bullets, L.L.C.	Clarus Corporation	79	6.3x	-	Precision Manufacturing
Closed	Aug 17	NN, Inc., Global Precision Bearing Components Business and NN International B.V.	Tsubaki Nakashima Co., Ltd.	388	11.1x	Yes	Precision Manufacturing

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



## Key Metrics

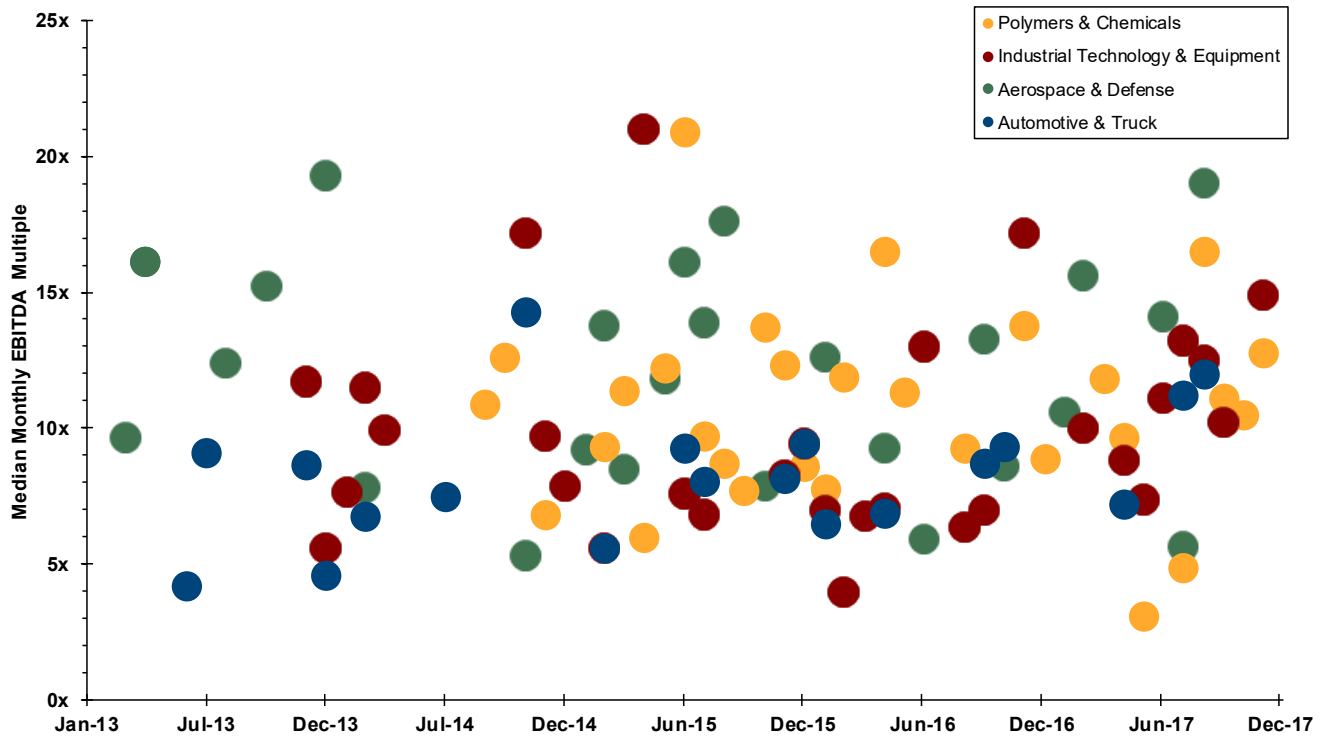
Buyers have taken a consistent approach to valuations over the past four years, paying EBITDA multiples ranging from 5x to 10x for high quality businesses (larger targets attracting higher multiples). However, in circumstances presenting increased synergistic value or where a target company fills a void in a buyer's product offering, EBITDA multiples can expand to a range of 10x to 20x. EdgePoint presents monthly valuation multiples for transactions with reported financial metrics over the past four years in the chart below.

Manufacturers face critical decision points in response to disruptive factors that are evolving industry-wide. These factors

force manufacturers to automate processes, adapt to changing consumer demands, stay up to date with technological advances, and shift into less cyclical and higher-growth product lines. Buyers tend to pay higher multiples when they identify acquisition candidates that align with these objectives.

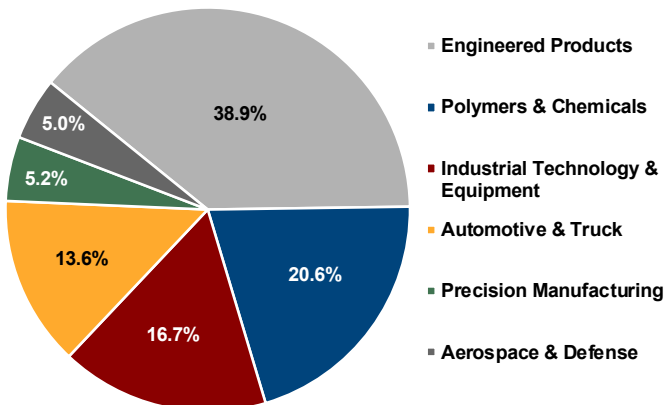
The data from the second half of 2017 shows that buyers remain well-capitalized and motivated to pay high values for acquisitions. As strategic buyers' balance sheets remain healthy and the pace of financial buyers' new platform investments continues to accelerate, EdgePoint believes M&A activity with valuations attractive to sellers will continue through 2018.

## Select Transaction Multiples

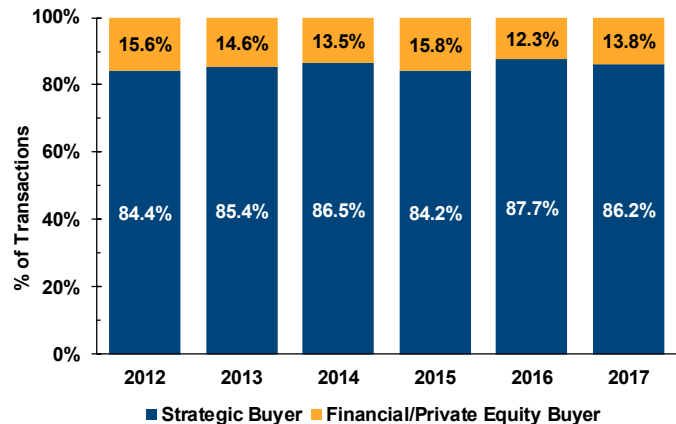


Note: transactions involving Engineered Products or Precision Manufacturers are included in one of the four identified segments based on the seller's end market.

## Transactions by Sub-Sector (LTM)



## Share of Transactions by Buyer Type



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

## New Tax Cut and Jobs Act (TCJA): Creating More Capital for Motivated Buyers



Most M&A experts believe the new tax reform legislation that became effective in 2018 will have a positive impact on the M&A markets. The primary reasons include reductions in tax rates paid by most entity types, attractive tax deduction timing and limits for acquirers, and greater flexibility in how U.S. based companies can use capital that had previously been moved offshore. The uncertainty surrounding this legislation has been lifted, encouraging buyers and sellers sitting on the sidelines, to proceed with transactions.

Since the changes to the tax code are broad and expected to impact most businesses favorably, EdgePoint believes industrial manufacturers across various product types and end markets will benefit. Some of the key changes include:

**Reduction in corporate tax rates:** Starting in 2018, the Federal corporate income tax rate will decrease from 35% to 21%, and the corporate alternative minimum tax has been repealed. Corporations that enjoy lower effective tax rates will have more cash to spend on acquisitions and internal projects. This will be a boon to middle-market businesses that typically do not have the same financial resources as larger, cash-rich organizations. Interest rates remain near historic lows as well and provide cost effective financing to supplement the increased cash available to close transactions.

**Repatriated offshore cash by U.S.-based companies:** More than \$2 trillion in cash that has been held offshore by U.S.-based companies to defer taxation on remitted earnings must be re-

patriated over a period of up to eight years and taxed at a 15.5% rate. Companies affected by this change will have additional capital available to acquire domestic companies. Public companies trading at premium values will be inclined to pursue strategic acquisitions as opposed to stock buybacks. Under the previous tax law, U.S. companies frequently spent cash held offshore to acquire foreign businesses. Repatriated cash can now be readily used for acquisitions of U.S. companies, and other domestic projects.

**Higher asset deductibility:** The new tax law allows companies to expense 100% of expenditures on new and used qualified proprietary equipment that is acquired and placed into service from September 28, 2017, through the end of 2022. As a result of lowering near-term tax obligations through immediate deductibility for acquired asset costs, the economics of some prospective acquisitions will be more viable to buyers. Under the previous tax law, if a buyer could structure a transaction that allowed for greater tax deductibility for the assets, they were often willing to pay a slightly higher purchase price to the seller for this benefit. Under the new tax law, the year-one deduction will enable the buyer to benefit even more, so sellers should be able to negotiate for a share of the raised tax shield values through higher sale prices, which is especially true for equipment-intensive manufacturing industries.

While the new tax law is significantly more complex and expected to impact M&A transactions in various ways, EdgePoint believes the aforementioned attributes will spur an increase in future M&A activity from strategic buyers.

### EdgePoint Perspective

By Russ Warren, Managing Director



Acquirers buy anticipated future returns. Interest in past results lies in their foundation for and pathway to performance yet to come. To maximize value of an industrial manufacturing business to a buyer, owners can work to enhance the attributes investors prize most:

**Corporate Clarity** – A well-focused, easily understood business model that says “sustainable competitive advantage”

**Profitability** – An EBITDA margin (adjusted for discretionary expenses) above peers; pricing power

**Predictability** – The ability to predict EBITDA and operating profit reliably; absence of financial surprises

**Growth** – Steadily increasing EBITDA and profits over a normal planning horizon

- Can you grow your addressable markets (add geography, customer groups, or new products)?
- Is your business scalable?
- Do you have credible sales growth projections?

## New Tax Cut and Jobs Act (TCJA): What Does It Mean for Sellers?

While buyers are expected to have more capital accessible and use acquisitions as a way to deploy funds for attractive returns, EdgePoint believes the new tax reform offers benefits to sellers as well.

Complexities in the code, however, will affect transactions, structures, and the ultimate proceeds to sellers in a variety of ways. Each company must assess the impact of the reduction in the corporate tax rates and changes to deductions and limitations on its own situation.

The main factors to consider are the company’s business activity, asset and wage base, and ownership structure because the new rules encourage certain types of business activities over others. How this affects a business owner looking to sell his or her company is further complicated by 1.) the lower tax rates on C-corporations (C-corps) that still carry double taxation on the sale of assets, and 2.) the promise of lower taxes on pass-through entities that seemingly bring the income tax rate closer to the capital gains rate mostly enjoyed on a sale of the business. With offsetting elements in the new tax law, it is important to review some key points to determine how it affects an owner’s decision to sell.

The ultimate tax implication for a given M&A transaction depends largely on the business entity type and the transaction structure. Entity type matters to business owners because C-corps have a lower effective tax rate than pass-through entities, but are still subject to double taxation on the sale of assets.

This results in an approximate 37% effective rate in no-personal income-tax states to higher than 45% for other states. This is still more attractive to sellers than the combined tax rates as high as 58% prior to the tax reform.

As the vast majority of sale transactions are taxed as asset transactions, pass-through entities such as S-Corporations (S-corps) and Limited Liability Companies (LLCs) will continue to be the clear tax choice for owners. The main reason is that C-corp owners are still subject to double taxation in an asset transaction, whereas owners of S-corps and LLC’s are only subject to tax on the distributed proceeds. However, if the transaction is structured as a stock deal, then entity choice would not matter as much. C-corp owners do not face the same double taxation in a stock deal as required in an asset transaction. Whether a business is a C-Corp or a pass-through entity, owners must be aware of the new provisions affecting not only the federal tax rate paid upon a sale, but also changed limits to income deductions.

Despite the increased planning required, EdgePoint believes that the recently passed tax legislation will add fuel to the strong market for sellers in 2018. Manufacturers that rely on strategic M&A to enhance their capabilities and improve their competitive position now have more capital and greater motivation to pursue attractive seller candidates and pay competitive prices. Additionally, the reduced tax rates (depending on entity structure) will increase target company after-tax values by providing a larger share of profits to owners.

### Tax Rate Differences between Entity Structures: To “C” or Not to “C”?

Tax Rates	2017	2018
Pass-through	39.6%	37.0%
QBID*	N/A	80.0%
Pass-through rate	39.6%	29.6%
C-corporation rate	35.0%	21.0%
Rate differential	4.96%	8.6%

\* 20% deduction on qualified earnings

Prior law	50.5%
New Law	39.8%

Note: Calculations exclude state tax considerations.

- Under the old law, it was generally more favorable for a business to be structured as a pass-through entity (e.g., S-corp or LLC)
- Currently, many pass-through business owners are considering whether to retain a flow-through structure or convert to a C-corporation
- The tax rate difference between a C-corporation and a pass-through entity qualifying for a “qualified business income deduction” (QBID) is now 8.6%
- However, the double taxation imposed on C-corporations is considerably less than it was under the prior tax law (but can still be substantial)

- While a pass-through business structure appears to remain more tax efficient in many situations, business owners should rely on their advisors to perform tailored analysis and tax modeling to determine the optimal structure, under the new law.

Source: Internal Revenue Service, Plante Moran.

## Interview with Arthur Anton, Chairman and Chief Executive Officer of Swagelok Company

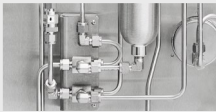


**Arthur Anton**

*Chairman and CEO*

### Swagelok Company

Swagelok Company appointed Arthur Anton Chief Executive Officer in 2013. Swagelok, a \$1.8 billion privately held company, is a leading manufacturer of fluid system products for numerous industrial end markets worldwide. Prior to becoming CEO, Arthur spent five years serving as the company's Chief Financial Officer. Before arriving at Swagelok in 1998, he had a long and distinguished career with Ernst & Young, one of the nation's leading financial services firms, working his way from staff accountant to Partner and a leader within the firm.



**EdgePoint:** *Swagelok has made seven acquisitions since 1998. With a strategic objective in mind, what determines whether you pursue an acquisition or develop what you need organically?*

**Arthur Anton:** We are a very selective strategic buyer. We typically look for companies that can quickly expand our product lines in a time period faster than we can invent/create them ourselves. Because of our unique business model, we want to add products that complement our distributors and sales force.

**EdgePoint:** *How do the emergence of new manufacturing 4.0 technologies (like 3-D Printing and mass customization of products) and the need to address Swagelok's diverse changing markets affect your growth and acquisition strategy?*

**Arthur Anton:** Industry 4.0 does not exist as a separate strategy but it is built into our existing manufacturing strategies. We are

developing processes for discrete manufacturing that can link together work cells and secondary processes to give our people real time information.

In our materials group, we recently hired several people with 3D printing and metallurgical backgrounds to help us make this new technology part of our portfolio.

**EdgePoint:** *"One Swagelok" – the ability to provide the same high-quality products and customer service anywhere in the world – is at the core of your strategic advantage. How do you integrate an acquisition into the One Swagelok culture?*

**Arthur Anton:** We have a pre-established integration program, led by senior people that form an acquisition team, that works to align our values and bring Swagelok policies and systems to the acquiree as part of the integration.

**EdgePoint:** *Early in your career at Ernst & Young, you developed your professional skill set including M&A and taxation. How has that experience shaped your approach to the role of CEO at a \$2 billion industrial manufacturing company?*

**Arthur Anton:** Definitely, it has allowed me to see many types of companies and look at acquisitions that worked well and those that did not work too well. It also made me appreciate what realistic synergies are and sometimes how hard they are to achieve.

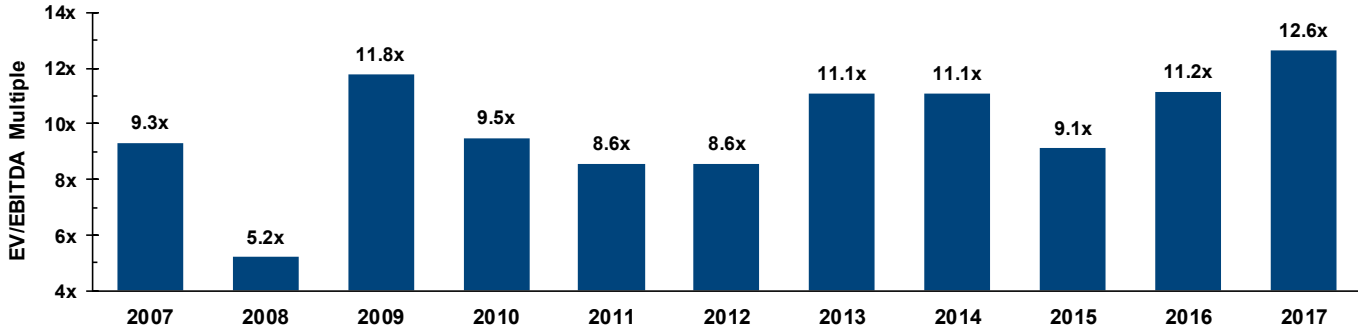
**EdgePoint:** *What effects do you expect the new reduction in corporate tax rates and winnowing of regulations will have on industrial manufacturing companies? Will U.S. manufacturers be more competitive globally? What opportunities and issues do you see?*

**Arthur Anton:** I do think the new tax act will put us on par with many industrialized countries and will hopefully accelerate investments and job creation. It should also raise the price for acquisitions.

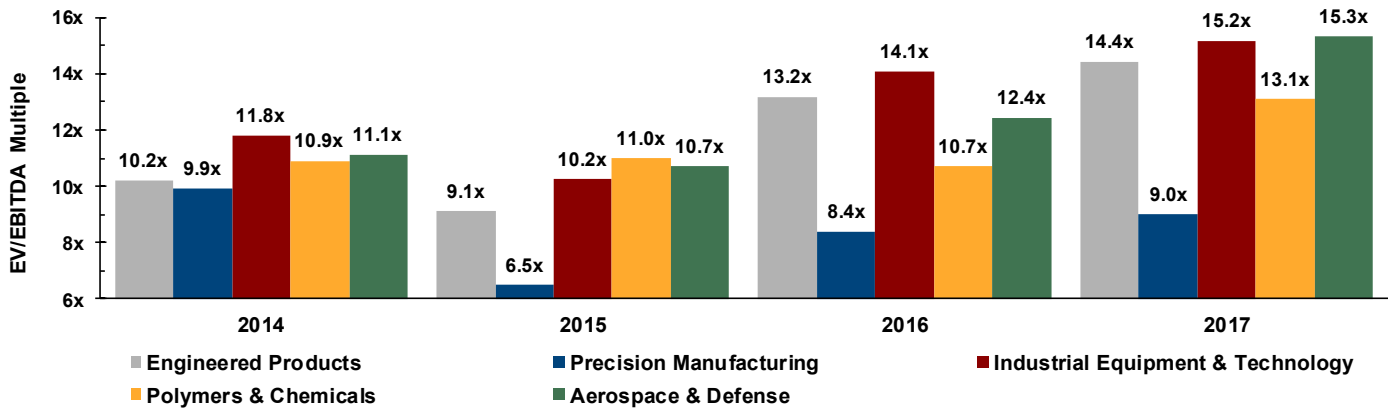
The one note of caution would be if global trade wars ensue due to regulatory tariffs. Free and fair trade is paramount to navigating today's global economy.

Public Company Trading Multiples

Industrial Manufacturing Public EV/EBITDA Multiples



Industrial Manufacturing Sub-Sector Public EV/EBITDA Multiples



Source: CapIQ. Note: Multiple of Enterprise Value, or "EV" (Net Debt + Equity) to Earnings Before Interest, Taxes, Depreciation, and Amortization

Selected EdgePoint Industrial Manufacturing Transactions

Automotive & Truck	Precision Manufacturing	Aerospace & Defense	Industrial Technology and Equipment	Polymers & Chemicals
<p><b>Sell-Side Advisory</b></p> <p>PTTECH and AEROTORQUE have sold to The TIMKEN Company</p>	<p><b>Sell-Side Advisory</b></p> <p>Arc Drilling, Inc. has been recapitalized by Washington Equity Partners</p>	<p><b>Sell-Side Advisory</b></p> <p>SIFCO Industries has sold its Applied Surface Concepts business to Norman Hay PLC</p>	<p><b>Sell-Side Advisory</b></p> <p>Compass Systems and Sales, Inc. has sold to Alston Capital Partners</p>	<p><b>Sell-Side Advisory</b></p> <p>Superior Abrasives has sold to August Rugeberg GmbH &amp; Co. KG</p>
Engineered Products	Precision Manufacturing	Polymers & Chemicals	Polymers & Chemicals	Engineered Products
<p><b>Sell-Side Advisory</b></p> <p>American Turbocharger Technologies has sold to A. Stucki Company</p>	<p><b>Sell-Side Advisory</b></p> <p>Delco Corporation has sold to Capital For Business</p>	<p><b>Sell-Side Advisory</b></p> <p>Kleen Polymers, Inc. has sold to Preferred Compounding</p>	<p><b>Sell-Side Advisory</b></p> <p>Creative Extruded Products has sold to Quilvest Private Equity</p>	<p><b>Sell-Side Advisory</b></p> <p>Aero Transportation Products, Inc. has sold to Wabtec Corporation</p>



EdgePoint is an independent, advisory-focused, investment banking firm serving the middle market.

