



# INDUSTRIALS

THIRD QUARTER

2014

This Industry Practice Group was established to draw on the experience of CFA advisors who have first-hand knowledge and have completed many transactions in this industry. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

## Industrials M&A

M&A activity for North American based industrial target companies in Q2 2014 included 517 closed deals and total deal value of \$10.3 billion, according to data provided by S&P Capital IQ. According to a report from, President & CEO Magazine, a business trade magazine, M&A activity surged in the second quarter with the industrial sector on track to post the strongest year of M&A since before the 2008 financial crisis.

According to a report from PricewaterhouseCoopers, an international consulting firm, the industrial sector saw a 72% increase in transaction announcements over Q1. Several mega-deals were announced, and although some were withdrawn, it indicates that the market has grown and is actively looking to consolidate. According to the report industrial manufacturers will continue to search for growth in non-core businesses with strong leadership and an existing competitive advantage.

The Federal Reserve reported a 0.4 percent increase in industrial production in July - the sixth consecutive month posting a gain. Manufacturing output advanced 1.0 percent in July, its largest increase since February. The production of motor vehicles and parts jumped 10.1 percent, while output in the rest of the manufacturing sector rose 0.4 percent. The production at mines moved up 0.3 percent, a ninth consecutive monthly increase. The output of utilities dropped 3.4 percent, as weather that was milder than usual for July reduced demand for air conditioning.

## Transactional Overview

June 2014 - Empresas ICA, S.A.B. de C.V. (BMV:ICA) acquired Facchina Construction Company, Inc. for \$100 million. ICA has made an initial payment of \$60 million and additional payments of up to \$40 million could be paid based upon the company meeting agreed EBITDA targets over the next five years through 2019, among other conditions. Facchina Construction Company, Inc. offers heavy highway, concrete frames, site development, and commercial building services. The company was founded in 1987 and is based in La Plata, Maryland.



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### Selected Q2 Closed Transactions

Target/Issuer	Buyers/Investors
Empire Tool Inc.	TRAC Energy Services Ltd.
Machinery Tooling & Supply, LLC	DXP Enterprises, Inc. (NasdaqGS:DXPE)
Desert NDT, LLC	ShawCor Ltd. (TSX:SCL)
One Stop Logistics, Inc.	Echo Global Logistics, Inc. (NasdaqGS:ECHO)
Monitor Elevator Products, Inc.	Innovation Industries, Inc.
Mining Technologies International Inc.	Joy Global, Inc. (NYSE:JOY)
AEGIS Flow Technologies, L.L.C.	IDEX Corporation (NYSE:IEX)
RobotWorx, Inc.	Scott Technology Limited (NYSE:SCT)

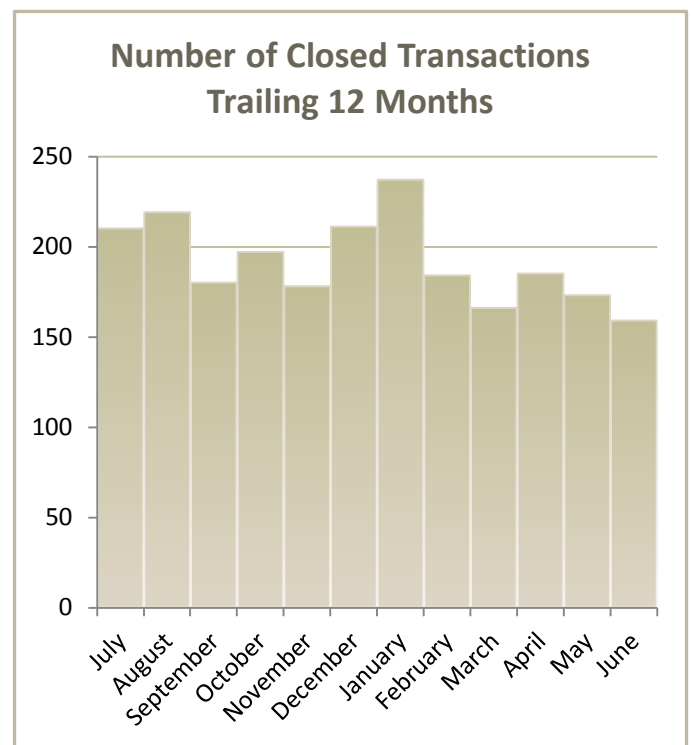
**May 2014** - DXP Enterprises, Inc. (NasdaqGS:DXPE) acquired Machinery Tooling & Supply LLC for \$14.9 million. Machinery Tooling & Supply reported sales and adjusted EBITDA of \$38.2 million and \$2.5 million respectively for the year ending March 31, 2014. Machinery Tooling & Supply, LLC distributes cuttings tools, abrasives, coolants, machine shop, and industrial and safety supplies. The company is based in Schaumburg, Illinois.

**April 2014** - Power Solutions International, Inc. (NasdaqCM:PSIX) acquired Professional Power Products, Inc. (PPPI) from Carl L. Trent and Kenneth C. Trent for \$63.5 million on April 1, 2014. As a part of consideration, Power Solutions paid initial cash purchase price of \$46 million. In addition, Power Solutions will issue between \$5 million and \$15 million common stock of Power Solutions based upon Professional Power's 2014 operating results. \$2.5 million will be deposited in escrow. Professional Power Products, Inc. custom designs and manufactures products and systems to the power generator industry in the United States and internationally. The company was founded in 1992 and is based in Darien, Wisconsin.

## Industry Dynamics

Anticipated growth in US manufacturing could bode well for industrial equipment wholesalers in 2014 and 2015. The Manufacturers Alliance for Productivity and Innovation Quarterly Economic Forecast calls for manufacturing production to grow 3.2 percent in 2014 and 4 percent in 2015. High-tech manufacturing production is expected to grow 6.8 percent in 2014 and 7.2 percent in 2015; non-high-tech manufacturing production is set to advance 2.9 percent in 2014 and 3.8 in 2015.

Both strategic buyers and financial investors were active in the industrial sector during the second quarter, reports PricewaterhouseCoopers. Financial investors were involved in a number of mega-deals, in an environment with an oversupply of capital. Buyers have been paying higher multiples to companies with stable growth and few operational issues. Additionally firms continue to align with the oil and gas industry, with as many as 30% of targets from that sector.



Globally, PricewaterhouseCoopers, announced that North America continues to be very active in M&A, with lots of investment in and out of the United States, a reflection of confidence in the US market. Europe is still struggling with growth with investment mostly outbound. Asia-Pacific continues to offer very attractive targets because of its developing middle class.

The Industrials Practice Group is a multi-disciplinary group of investment banking advisors within Corporate Finance Associates. Collectively, the Industrials Practice Group provides M&A advice to public and private companies in all sectors of the industrials, including international freight forwarders, warehouse management technology and both domestic and international 3PL operations. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.