

## INDUSTRIALS

THIRD QUARTER

2018

The Industrials Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Industrials category. 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 target companies in the Industrials sector for Q2 2018 included 96 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions was announced in June when Entegris, Inc. acquired SAES Pure Gas, Inc. from SAES Getters SpA for US\$355 million in cash, funded from its available cash. The transaction expands Entegris'

semiconductor business. SAES Pure Gas is located in San Luis Obispo, California and manufactures and supplies gas purifiers. SAES Pure Gas reported a revenue and an adjusted EBITDA of US\$91.5 million and US\$33.1 million, respectively, for the fiscal year ended December 31, 2017.

Buoyed by a strong economy industrial production was strong during Q2 and is expected to remain that way into Q3.

## Transactional Overview

Notable closed lower middle market transactions for the period in the Industrials sector include:

**June 2018** - US Tsubaki Holdings, Inc., a wholly owned subsidiary of Tsubakimoto Chain Co, acquired Central Conveyor Co, LLC, a portfolio company of New State Capital Partners LLC, for approximately US\$140 million in cash. U.S. Tsubaki manufactures and supplies power transmission and motion control products. Central Conveyor Co. designs and builds material handling systems, storage retrieval systems and automated conveyance solutions. The company was founded in 1993 and is headquartered in Wixom, MI.



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April 2018 - The Chemours Company FC, LLC, a subsidiary of The Chemours Co, acquired ICOR International, Inc., formerly known as, Indianapolis Refrigeration Co., Inc, for US\$32 million in cash. The Chemours Company manufactures industrial inorganic chemicals. ICOR International operates as an air conditioning and refrigeration service company. The company was founded in 1995 and is headquartered in Indianapolis, IN.

April 2018 - Cincinnati Fan & Ventilator Co Inc, a portfolio company of Dominus Capital LP, acquired Strobic Air Corp from Met-Pro Technologies LLC, a wholly-owned subsidiary of CECO Environmental Corp, for US\$28.5 million. Founded in 2008 by Gary Binning, Robert Haswell and Ashish Rughwani, Dominus Capital is a private equity firm located in New York City. Strobic Air Corp. designs and manufactures patented laboratory fume hood exhaust systems and equipment. The company is headquartered in Telford, PA.

Selected Q3 Transactions	
Target/Issuer	Buyers/Investors
Zyklus Heat Transfer, Inc.	Finami SpA; LU-VE SpA
SAES Pure Gas, Inc.	Entegris, Inc.
MORSCO, Inc.	Reece Ltd.
IC Interconnect, Inc.	Semtech Corp.
Central Conveyor Co. LLC	U.S. Tsubaki Holdings, Inc.
American Precision Fabricators, Inc.	Alpine 4 Technologies Ltd.
Strobic Air Corp.	Dominus Capital LP; Cincinnati Fan & Ventilator Co., Inc.
Atkore International Group, Inc. /2 Subs/	Anvil International LLC; OEP Capital Advisors LP

## Industry Update

A major project to deploy internet-enabled sensors at a petrochemical plant could serve as a blueprint for other industrial chemical makers. Texmark Chemicals, the leading producer of dicyclopentadiene (DCPD) in North America, recently completed the first phase of an "internet of things" project it calls the "Refinery of the Future," according to IOT Journal. Used in resins, inks, adhesives, and paints, DCPD requires stringent manufacturing safety standards due to the high heat and flammable materials necessary for its production. Texmark partnered with Hewlett Packard Enterprise to install computers, sensors, and wireless networking devices that monitor the temperature, pressure, and vibration of its pumps and other equipment; data collected by the system is used for real-time performance and safety assessments. Texmark installed sensors on its two most critical pumps this year, but it may eventually extend the functionality across its entire plant, which includes 130 pumps. An early adopter of IoT technology, the company intends to help other chemical plants install similar systems. US corporate profits, an indicator of corporate demand for converted paper products, rose 4.3% in the first quarter of 2018 compared to the same period in 2017.

## Industry Indicators

- US nondurable goods manufacturers' shipments of chemical products, an indicator of industrial chemicals production, rose 4.9% year-to-date in May 2018 compared to the same period in 2017.
- The spot price of crude oil, a key ingredient in industrial chemical manufacturing, rose 64.0% in the week ending July 6, 2018, compared to the same week in 2017.

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.

