



BAIRD

INDUSTRIAL EQUIPMENT SECTOR UPDATE

March 2024

Baird's Industrial Equipment Update

After a challenging 2023, the industrial equipment sector is gaining momentum

Industrial Equipment Update

■ Macroeconomic Environment

- Overall economic trajectory, recession worries and global uncertainty were an overhang on industrial equipment sector performance in 2023
- Elevated interest rates drove equipment manufacturers to prioritize organic growth / cost initiatives
- As supply chains and lead times have normalized, dealer inventory destocking has weighed on equipment suppliers

■ Public Market Backdrop

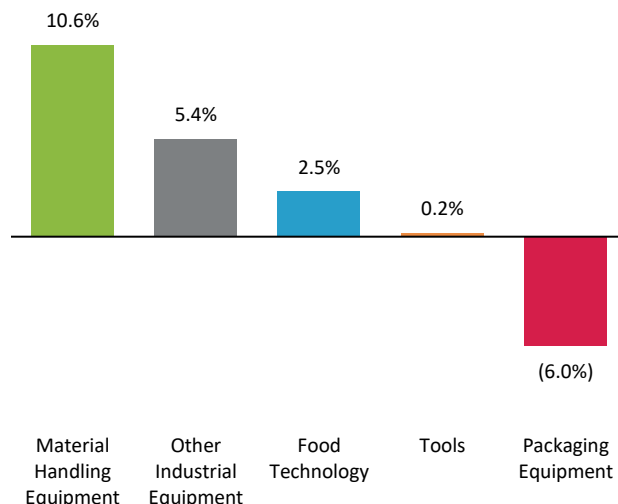
- Stocks have reacted positively in late 2023 / 2024 to expected Fed easing, but concerns over underlying growth persist, albeit with a more optimistic view currently
- Investors favoring industrial tool and equipment stocks with demonstrated pricing power and demand inelasticity; “flight to quality” remains the main theme in relative positioning
- Automation continues to be a powerful megatrend driving growth across the industrial equipment landscape, with customers prioritizing solutions with short payback and demonstrated ROI
- Investors continue to be cautious in their forward outlook but see relative strength in companies with greater backlog visibility

■ M&A Environment

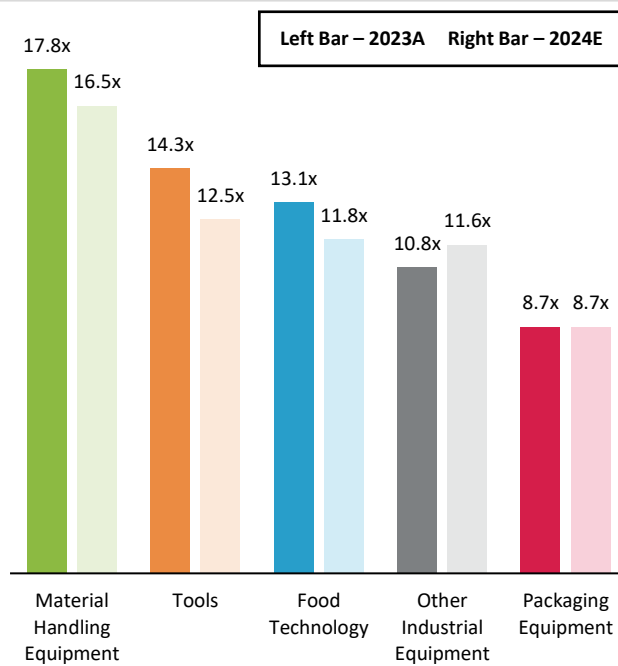
- M&A market participants entered 2024 searching for signs of improvement in transaction activity, which began to improve in Q4
- Potential for a rebound in M&A activity in 2024 pending improving clarity on the economic outlook
- Ample and more attractive financing remains available for M&A, with market credit environment improving significantly in 2H 2023

Sector Trading Update

2024 YTD Share Price Performance



2023A and 2024E Median EV / EBITDA



Selected Equity Research Commentary

Baird's top-ranked research department provides active equity research on various Industrial Equipment companies; below excerpts are from recent research*



"It was a good quarter: organic revenue +1% year/year, and 260 bps of EBITDA margin expansion. 2024 guidance calls for organic revenue +4-6% and ~85 bps of margin expansion (50 bps from restructuring savings). Stock pullback today likely related to back half weighted guidance (poultry recovery factored into 2H24), we understand the anxiety but see several levers (recurring revenue, margin) that can support EPS/EBITDA and remain long-term buyers given our positive view of the upcoming Marel transaction."

- Research note on 2/21/24



"2023 ended on a high note with management noting growth across most verticals, good performance in Automation where quoting remains solid supporting a 2024 organic outlook calling for LSD-MSD% growth. Cyclical concerns remain (particularly off-highway vertical in our view) but investors are increasingly appreciating Automation (and perhaps EV charging) ability to add points of growth at critical points in the cycle which explains ongoing stock momentum. We remain long-term positive though would be better buyers on a pullback with the stock trading at ~18x forward EBITDA."

- Research note on 02/15/24



"4Q sales modestly below, EBITDA modestly above consensus, with highest margin quarter since 2017 despite Resi drag. 2024 expected to start slow, comping again backlog conversion from 1Q23, but pick up as the year progresses. We see management's outlook calling for >3% CFS 2024 organic growth as too optimistic given backlog burn/slow start in 1Q24 but, with good progress on margins and FCF (+89% in 2023) and valuation near the low end of the historical range (11x EV/EBITDA), we continue to recommend MIDD for patient investors."

- Research note on 02/20/24



"Another solid beat as in-line revenue (organic sales +2.9%) coupled with margin upside across segments (consolidated segment margin 22.3%, +270 bps year/year, 109% incremental). Consolidated orders +LSD% for fifth straight quarter (Aerospace +21% L12M). EPS guidance midpoint raised 5%, segment operating margin expected to increase 140 bps year/year at midpoint (raised 70 bps) on +1.5% organic sales (unchanged). Results and guidance raise reflects solid execution despite a choppy environment (destocking continues). We expect gradual valuation re-rating to continue, PH remains our favorite through-cycle Diversified Industrial."

- Research note on 02/01/24



"Shares modestly lower today after operational Q4 beat. SWK's turnaround initiatives appear to be progressing nicely with Q4 highlighting better-than-expected sequential gross margin improvement, better inventory depletion, and FCF toward higher end of expectations. 2024 guidance includes consensus near the high-end of range, with midpoint (\$4/share) bracketing SWK's prior "stable" scenario (we believe somewhat anticipated by investors), with still-negative (slightly) end markets driving ~flattish growth in 2024 (possibly weighing on shares some). Encouraging progress on turnaround, but we think risk/reward balanced."

- Research note on 02/01/24

* Baird ranked No.1 in "important small-/mid-cap research advisory firm" and "overall quality in sales, corporate access and research" in the 2020 Greenwich Associates Survey. Baird has ranked top two for "Greatest knowledge of companies and industries" over the past 17 years (2004-2020) in this annual survey of U.S. small-cap and mid-cap fund managers. Greenwich Associates' 2020 surveys of North American Equity Investors – Surveys conducted with 91 small-cap and mid-cap fund managers and 228 U.S. buy-side trading desks that use electronic trading, respectively. Rankings for qualitative metrics based on leading research firms in surveys.

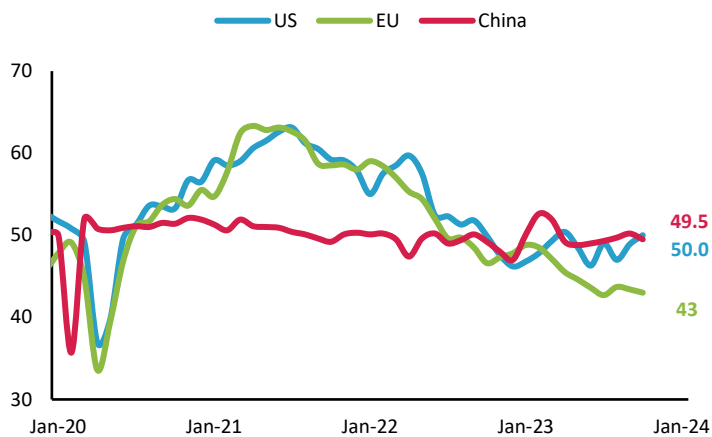
Note: The above excerpts from Baird Equity Research reports were from the current quarterly earnings reports as of the preparation of this report but may not be the most current reports available.

Industrial Equipment Market Backdrop

The global production environment is giving mixed signals in late 2023 / early 2024

Manufacturing Purchasing Manager's Index

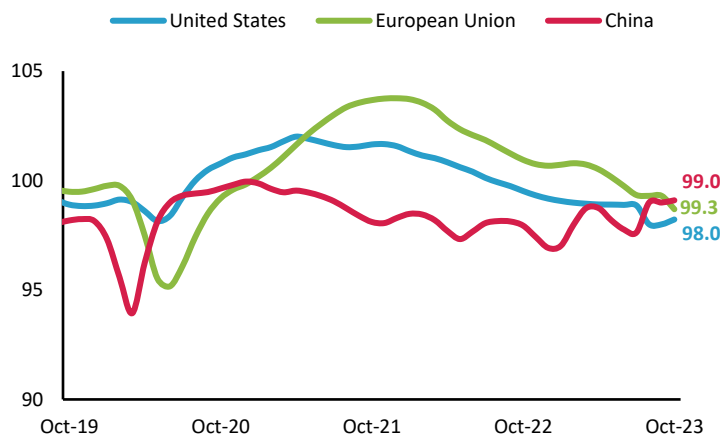
(50 equals no change)



Purchasing manager sentiment in U.S. and China has stabilized as Europe continues to suffer from anemic growth and persistent recession worries heading into 2024

Business Manager Confidence

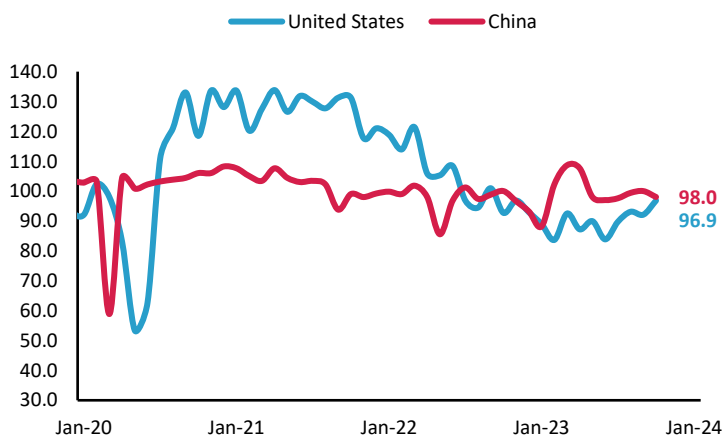
(Index equals 100)



Globally, business manager sentiment continues to slide in recent months, marking 2+ years of declines

Manufacturing New Orders (1)

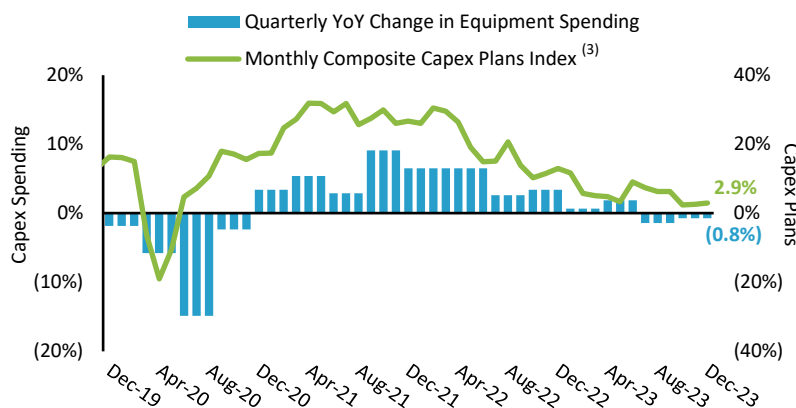
(Index equals 100)



Uptick in U.S. new order activity in Q3 / Q4 following softening conditions seen in the prior 12-18 months

U.S. Capex Plans Vs. Actual Capex Spend (2)

(Capex plans shown as % of index value and capex spend shown as YoY %)



Business investment in the sector decreased slightly in 2023 as macroeconomic conditions continue to be choppy, but future outlook remains positive

Source: S&P Capital IQ, Federal Reserve, Institute for Supply Management, OECD Business Confidence Index, Y Charts, Eurostat, Strategas and Baird Investment Banking as of 02/29/2024.

(1) Data indexed to 100 for comparison purposes.

(2) Corresponding data not available for China and Europe.

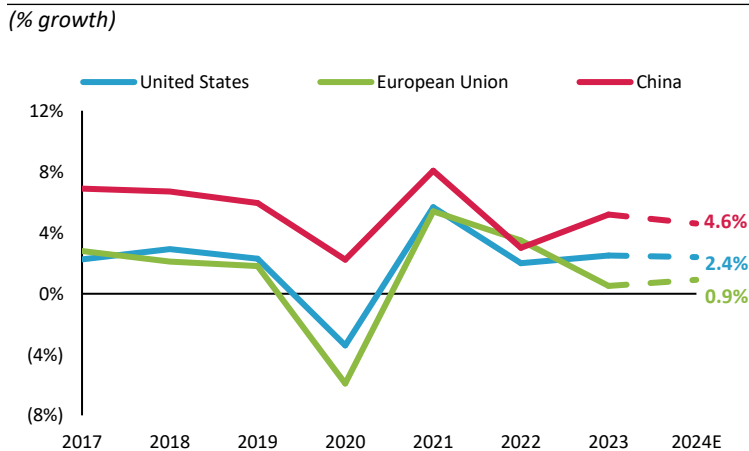
(3) Survey from business managers across the U.S. on their plans for capex spending indexed for comparison purposes.

Industrial Equipment Market Backdrop (Cont.)

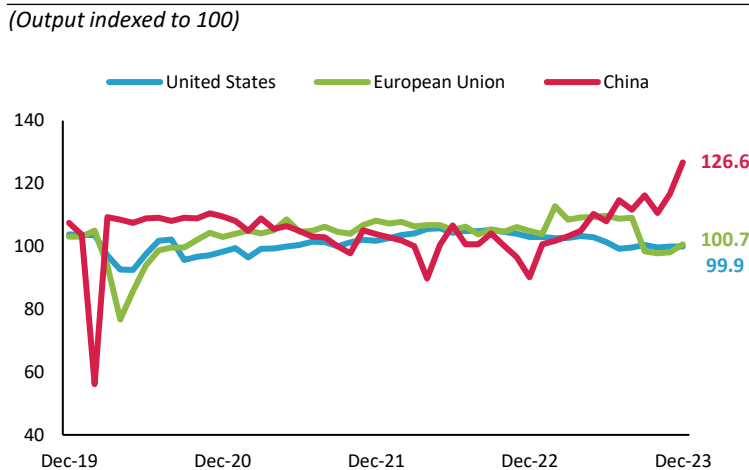
Recent data sheds light on the current production environment in key global markets

Selected Key Indicators

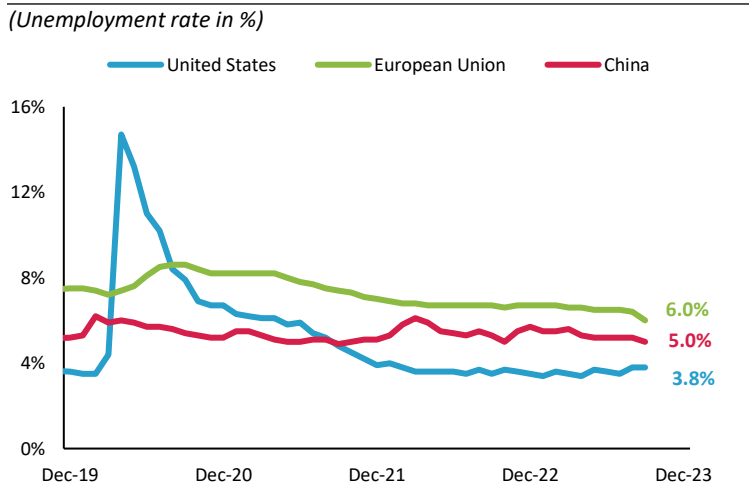
GDP Growth



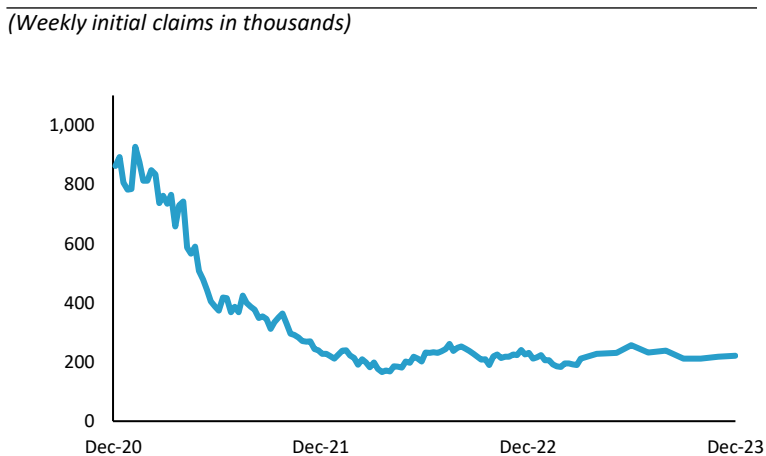
Industrial Production Index ⁽¹⁾



Unemployment Rate



U.S. Jobless Claims ⁽²⁾



In The News

Recent Headlines & Notable Events

- **2/11:** U.S., China and Europe's Economies are Drifting Apart ([LINK](#))
- **2/14:** Eurozone Growth Confirmed Flat Q/Q ([LINK](#))
- **2/20:** Data Shows the Economy is Booming; Wall Street Thinks Otherwise ([LINK](#))
- **3/7:** China's Exports Rise, Cheering Beijing—and Foreshadowing a Backlash ([LINK](#))

Upcoming Trade Shows

- **ProMat 2024**
Chicago, IL (3/20/2024 – 3/23/2024)
- **Data Center World Trade Show**
Washington D.C. (4/15/2024 – 4/18/2024)
- **International Manufacturing Technology Show**
Chicago, IL (9/9/2024 – 9/14/2024)
- **Pack Expo 2024**
Chicago, IL (11/3/2024 – 11/6/2024)

Source: Baird Research, Federal Reserve, Bureau of Labor Statistics, Markit Economics, PWC, International Monetary Fund, Trading Economics, and Y charts.

(1) Indexed to 100 for comparison purposes.

(2) Jobless claims represent weekly initial filings of U.S. unemployment claims; unemployment rate represents monthly U.S. nonfarm unemployment; similar metric not available for Europe and China.

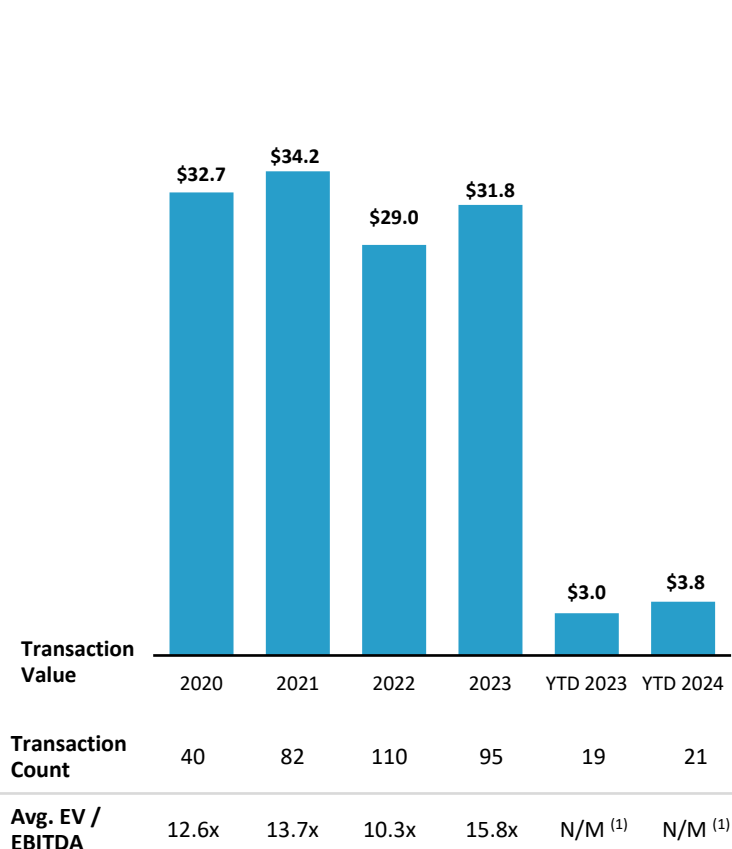
M&A and Financing Market Update

M&A and financing markets have improved notably and are poised for increasing activity in 2024

M&A Market Update

Industrial Equipment M&A Activity

(\$ in billions)

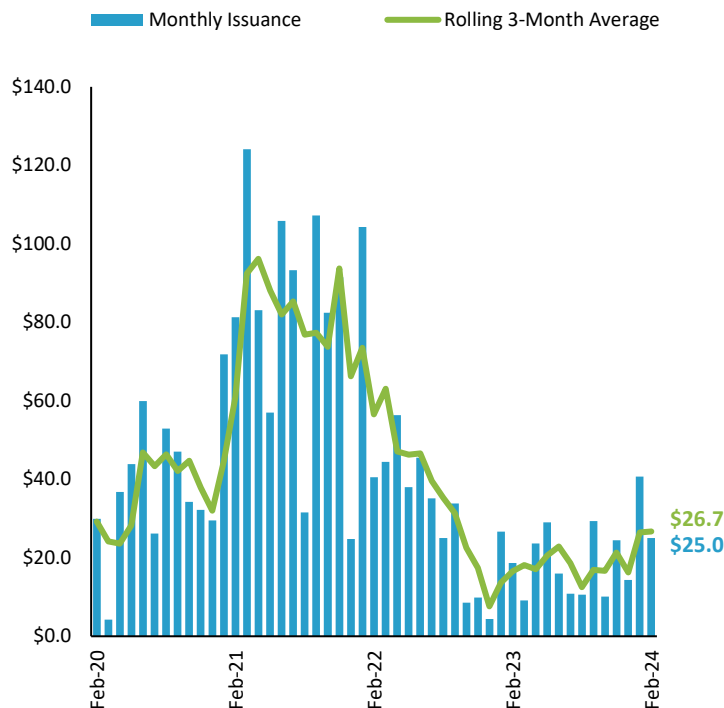


- Slight rebound in M&A \$ market activity in 2023, albeit at a lower deal count, reflecting an overall flight to quality and more failed processes for less premium assets
- Supported by ample dry powder and cash balances, sponsor and strategic buyers remain acquisitive but selective with what they pursue
- Overall asset quality and resilience is in focus, with top-tier businesses trading at premium valuations
- Optimism for M&A activity to strengthen in 2024 given strong financing markets and Fed easing, but with some uncertainty around the effect of U.S. elections

Financing Market Update

Global High-Yield Loan Volume

(monthly; \$ in billions)



- Financing markets have improved notably relative to 2022 and 1H 2023, led by private credit activity and a strengthening syndicated market
- Positive fundamentals for direct lenders include a solid pace of transactions in late 2023, increased prominence of junior capital and substantial dry powder to be deployed
- Across markets during 2H 2023, interest rates stabilized and lenders began to relax financing structures with slightly higher leverage levels and improved fixed charge coverage ratio covenants
- Credit availability is likely to broaden in the coming months with anticipated Fed policy easing

Source: S&P Capital IQ, S&P LCD and Dealogic as of 2/29/2024.

Includes U.S. and Europe M&A with transaction value disclosed above \$20 million per Dealogic.

(1) Average multiple not meaningful due to limited number of disclosed metrics.

Selected Recent Industrial Equipment M&A Activity

Top tier Industrial Equipment assets are continuing to see attractive interest and outcomes

(\$ in millions)

Date Announced	Target	Acquirer	Target Description	Enterprise Value	EV /	
					Sales	EBITDA
3/6/2024	Webster Industries	MPE Partners	Manufacturer of engineered class chain, engineered class sprockets, and vibratory equipment	N/A	N/A	N/A
3/1/2024	Electro-Mechanical LLC	Oaktree Capital Management	Leading manufacturer of engineered electrical equipment	N/A	N/A	N/A
2/27/2024	Duravant	Ferdinand Henneken GmbH	Leading manufacturer of protein processing solutions	N/A	N/A	N/A
2/21/2024	SBG Holdings, Inc.	Charger Investment Partners	Leading manufacturer of consumables and highly specialized equipment used for polished concrete flooring	N/A	N/A	N/A
2/20/2024	Cam Tran	Central Moloney (Wind Point)	Leading Canadian manufacturer of a diverse line of distribution transformers	N/A	N/A	N/A
1/22/2024	Integrated Warehouse Solutions	ASSA ABLOY	Manufacturer of loading dock equipment	N/A	N/A	N/A
1/3/2024	Sunnen Product Company	P&G Capital	Leading manufacturer of proprietary machining products	N/A	N/A	N/A
1/2/2024	Signature Systems	Myers Industries	Leading manufacturer and distributor of composite ground protection products	5350	2.9x	8.0x
12/18/2023	Felix Storch	ES Equity	Manufacturer of specialty refrigeration and cooking appliances	N/A	N/A	N/A
12/14/2023	Combi Packaging Systems	SIAT Group (H.I.G. Capital)	Producer and distributor of end-of-line packaging machinery and spare parts	N/A	N/A	N/A
12/13/2023	CARR Commercial Refrigeration Business	Haier	Offers transport refrigeration and monitoring products and services	775	0.8	16.5
12/7/2023	Smart Metering Systems	KKR	Owner, installer and manager of energy infrastructure	1,700	20.0	N/A
11/30/2023	Power Grid Components, Inc.	Blackstone Energy Transition Partners	Provider of a products across three segments—air-break switches, insulators and instrument transformers	N/A	N/A	N/A
11/20/2023	Sentry Equipment & Erectors	ProMach	Manufacturer of conveyor and container handling machines	N/A	N/A	N/A
11/7/2023	Rhino Tool Company	Palindrome	Leading manufacturer of pneumatic, hydraulic and gas-powered tools	N/A	N/A	N/A
10/30/2023	Systems Control	Hubbell Incorporated	Leading manufacturer of substation control & relay panels and building solutions	1,100	2.8	12.0
10/27/2023	Central Maloney	Wind Point Partners	Leading manufacturer of critical infrastructure products / transformers for the U.S. electrical grid	N/A	N/A	N/A
10/25/2023	National Power	Ridgepoint	Leading provider of power reliability and resilience solutions for mission-critical operations	N/A	N/A	N/A
10/25/2023	XMA Corporation	Amphenol Corporation	Manufactures terminations, DC blocks, power dividers, couplers, equalizers, and adapters	N/A	N/A	N/A
10/23/2023	EA Elektro-Automatik Holding GmbH	Fortive Corporation	Manufactures programmable and bidirectional power supplies and electronic loads	1,696	N/A	N/A
10/12/2023	DESTACO	Stabilus SE	Supplier of motion control solutions for a wide range of industries	680	N/A	N/A
9/5/2023	Midland Industries	Gemspring Capital	Manufactures fittings, valves, clamps, hoses and related products for industrial end market	N/A	N/A	N/A
9/1/2023	Schenck Process Food and Performance Materials	Hillenbrand Inc	Manufacturer of measuring and process technologies	730	N/A	N/A
8/16/2023	National Presort	Duravant	Manufactures automated parcel sortation systems	N/A	N/A	N/A
8/1/2023	Disptek Group	Micro Matic	Provides dispense technology for beverages and liquids	N/A	N/A	N/A
7/31/2023	I.M.A. Industria Macchine Automatiche	BDT & MSD Partners	Designs and manufactures automatic packaging machines	6,750	N/A	N/A
7/24/2023	PPM Technologies	Duravant	Manufactures conveyors and graders for food handling	N/A	N/A	N/A
6/30/2023	DMC Power	Golden Gate Capital	Manufactures proprietary connector systems and tools for electrical utility applications	N/A	N/A	N/A
6/14/2023	Material Handling Assets of FLSmidth	KOCH Solutions	Material handling technology, part of the non-core activities segment	N/A	N/A	N/A
5/24/2023	Loibl Förderanlagen	Martin Group	Manufactures bulk material handling solutions for power generation, biomass and recycling applications	N/A	N/A	N/A
5/4/2023	LIFTKET	Aridian	Manufactures electric chain hoists and control systems for a variety of demanding applications	N/A	N/A	N/A
5/3/2023	ProMach	BDT Capital Partners	Designs and manufactures packaging solutions	N/A	N/A	N/A
5/2/2023	Coollt Systems	KKR	Designs, engineers, and manufactures direct contact liquid cooling technologies	N/A	N/A	N/A
4/26/2023	Montratec	Columbus McKinnon	Automation solutions company that designs intelligent automation and transport systems	124	4.2	13.0
4/12/2023	National Instruments	Emerson Electric	Manufacturer of automated test and automated measurement systems	8,632	5.1	23.9
4/5/2023	Rhino Tool House	Blue Sea Capital	Provides customized assembly tools and material handling solutions to OEMs	N/A	N/A	N/A
4/3/2023	ECM Industries	nVent	Provider of electrical connectors, tools and test instruments and cable management	1,100	2.7	10.6
3/3/2023	Rochester Cable	Hexatronix	Manufactures harsh environment electro-optical cables and other connectivity solutions	55	N/A	7.0
1/31/2023	PTR Baler & Compactor Co.	Komar	Equipment manufacturer and national service provider for vertical balers	N/A	N/A	N/A
1/29/2023	Nadella	The Timken Company	Manufactures, distributes and integrates systems in the linear and motion solutions market	N/A	N/A	N/A
1/25/2023	Storage Solutions	Jungheinrich AG	Provider of warehouse design, automation and integration solutions	400	1.3	N/A
1/20/2023	ABB (Power Conversion Business)	AcBel Polytch	Manufacturer of electricity grids, low voltage products, power products and system	505	1.1	N/A
1/18/2023	Elgin Separation Solutions	TerraSource	Manufacturer of material processing parts and equipment	N/A	N/A	N/A
11/9/2022	Howden	Chart Industries	Manufactures critical air and gas handling products and services	N/A	N/A	N/A
10/21/2022	Isoli S.P.A.	Klubb Group	Manufactures and assemblies boom platforms for tow trucks, aerial platforms with boom lift	N/A	N/A	N/A
10/21/2022	Liqui-Box	Sealed Air Corporation	Manufactures flexible liquid packaging solutions for food & beverage applications	1,150	N/A	N/A
10/19/2022	Maclean Power	Centerbridge Partners	Manufacturer of electrical products for utility and telecom	N/A	N/A	N/A
10/6/2022	SPX FLOW (Air Treatment Business)	Ingersoll Rand Inc.	Manufactures desiccant and refrigerated dryers, filtration systems and purifiers for dehydration	525	2.9	N/A
9/12/2022	Fittec	Undisclosed Party	Manufactures food, beverage and pharmaceutical inspection machines	N/A	N/A	N/A
8/23/2022	Belt Power	Platte River Equity	Distributes and fabricates conveyor system components	N/A	N/A	N/A
8/8/2022	InSinkErator (Emerson waste-disposal)	Whirlpool Corporation	Manufactures food waste disposers and instant hot water dispensers for home and commercial use	3,000	5.0	18.1
8/8/2022	Sphinx Tools	Sandvik Coromant	Manufactures and distributes precision tools for metalworking, medical and manufacturing industries	N/A	N/A	N/A
8/2/2022	Burke Porter Group	AEA Investors	Manufactures automated diagnostic, testing and production solutions	N/A	N/A	N/A
8/2/2022	Tractel Group	AEA Investors	Provides fall protection safety products, and lifting / handling equipment	507	0.9	N/A
7/27/2022	Bevcorp	John Bean Technologies Corporation	Manufactures beverage processing and packaging equipment	290	N/A	15.5
7/27/2022	Ripley Tools	Hubbell Incorporated	Manufactures cable preparation tools and accessories for power utilities and telecom	N/A	N/A	N/A
7/19/2022	LINXIS Group	Hillenbrand Inc	Designs, manufactures and supplies food preparation equipment	584	N/A	12.4
7/13/2022	Ligchine International Corporation	RAF Industries	Designer, manufacturer and marketer of laser-guided boom operated concrete screeds	N/A	N/A	N/A
7/1/2022	Alco-Food-Machines GmbH & Co	John Bean Technologies Corporation	Manufactures food processing solutions and production lines	N/A	N/A	N/A
6/30/2022	Icetro Company	Middleby Corporation	Manufactures ice cube machines, ice cream machines, slush machines and freezer chests	N/A	N/A	N/A
6/27/2022	Remke Industries	NSI Industries	Manufactures and sells wire management products and industrial interconnects and cordsets	N/A	N/A	N/A
6/27/2022	SNC Solutions	Storage Solutions	Manufactures storage solutions for warehouse operations	N/A	N/A	N/A
6/22/2022	Double E	Industrial Growth Partners	Manufactures web converting and web handling components and equipment	N/A	N/A	N/A
6/2/2022	Ergotron	The Sterling Group	Manufactures ergonomic mounting and mobility products for monitors & displays	N/A	N/A	N/A
6/2/2022	LevelS Tools	Worthington Industries	Manufactures drywall tools including taping and finishing tools, skimming blades & hand tools	80	2.4	12.9
5/24/2022	Frontmatec	Bettcher Industries, Inc.	Develops and sells food processing equipment and solutions for the food industries	N/A	N/A	N/A
5/16/2022	KITO Corporation	Lifting Holdings	Manufactures, constructs, sells, repairs, and maintains material handling equipment	571	1.0	7.4
5/9/2022	Schenck Process Mining Business	Sandvik	Manufactures high-capacity screens, feeders and mining processing aftermarket products	N/A	N/A	N/A
4/27/2022	Wenger	Marel	Manufactures processing solutions focused on pet food, plant-based proteins, and aqua feed	540	2.8	16.9
4/26/2022	Dynapower Company	Sensata Technologies	Provider of energy storage and power conversion systems	580	5.8	29.0
4/17/2022	Fortna	Material Handling Systems	Manufactures material handling sortation & distribution systems	N/A	N/A	N/A
3/2/2022	Manitowoc Ice	Pentair	Manufactures ice producing machines and components	1,600	5.2	17.4
2/8/2022	Siemens Logistics (Mail & Parcel Unit)	Koerber	Manufacturing, sales and installation of mail and parcel automation	N/A	N/A	N/A
1/31/2022	Tidel	Sesami	Manufacturer of cash security machines	N/A	N/A	N/A
1/26/2022	Eckhart	Arsenal Capital Partners	Manufactures ergonomic tools and solutions for automotive and industrial aftermarket	N/A	N/A	N/A
12/12/2021	SPX Flow	Lone Star Funds	Manufactures engineered flow components, process equipment and turn-key systems	3,801	2.8	20.1
12/2/2021	Time Manufacturing Company	H.I.G. Capital	Manufacturer of vehicle-mounted aerial lifts	N/A	N/A	N/A
11/15/2021	Cincinnati Fan and Ventilator	SPX Corporation	Manufactures and supplies industrial fans and blowers	N/A	N/A	N/A
11/9/2021	Davis-Standard	Gamut Capital Management	Manufactures plastics and rubber processing equipment	N/A	N/A	N/A
11/8/2021	SP Industries	ATS Automation Tooling	Manufactures of laboratory equipment and pharmaceutical manufacturing solutions	445	2.5	15.3
11/3/2021	Bettcher Industries	KKR	Manufactures food processing equipment and associate aftermarket parts	N/A	N/A	10.5
11/3/2021	Engineered Fastener Company	Frontenac	Manufactures engineered fasteners and specialized component solutions	N/A	N/A	N/A
11/3/2021	Harvey Performance Company	Berkshire Partners	Manufactures specialized cutting tools for precision machining applications	N/A	N/A	N/A
11/2/2021	Arrowhead Systems	Regal Rexnord Corp	Manufactures industrial process automation solutions and components	297	4.2	17.0
11/1/2021	ABB Mechanical Power Transmission Business	RBC Bearings	Manufactures highly engineered precision bearings	2,900	4.7	18.9
10/28/2021	Seaga Manufacturing	Dominus Capital	Manufactures inventory vending and dispensing solutions	N/A	N/A	N/A
10/26/2021	Engineered Machined Products	Concentric AB	Manufactures precision machining and thermal management components	147	N/A	N/A
10/14/2021	Control Devices	HBM Holdings: Company	Manufactures specialty valves and other flow control products	N/A	N/A	N/A
10/13/2021	Vantage Elevator Solutions	Ontario Teachers' Pension Plan	Manufactures elevator components and systems	N/A	N/A	N/A
10/11/2021	Unifred Brands	Electrolux Professional	Manufactures commercial kitchen equipment and controls	244	1.9	18.0
10/4/2021	Axiom Tool Group	JPW Industries	Manufactures CNC routers for industrial and consumer applications	N/A	N/A	N/A
9/27/2021	Zep Vehicle Care	National Carwash Solutions	Manufactures commercial car wash chemical and water reclamation solutions	N/A	N/A	N/A
9/13/2021	Farrar Scientific	Trane Technologies	Manufactures refrigeration solutions for biopharmaceutical applications	365	N/A	N/A
9/7/2021	CoreHog	Harvey Performance Company	Manufactures composite and core cutting tools	N/A	N/A	N/A
9/7/2021	Masterflex	Avantor	Manufactures peristaltic pumps and fluid transfer solutions	2,900	N/A	N/A
9/7/2021	Rivit	Favri S.p.A.	Manufactures fastening systems, tools and machines for sheet metal assembly	21	N/A	N/A
9/1/2021	Aixcel RV Group	THOR Industries	Manufactures recreational vehicle equipment and components	750	1.1	7.6
9/1/2021	Major Tool & Machine	Precimac Precision Machining	Manufactures hardware for aerospace, power generation and industrial markets	N/A	N/A	N/A

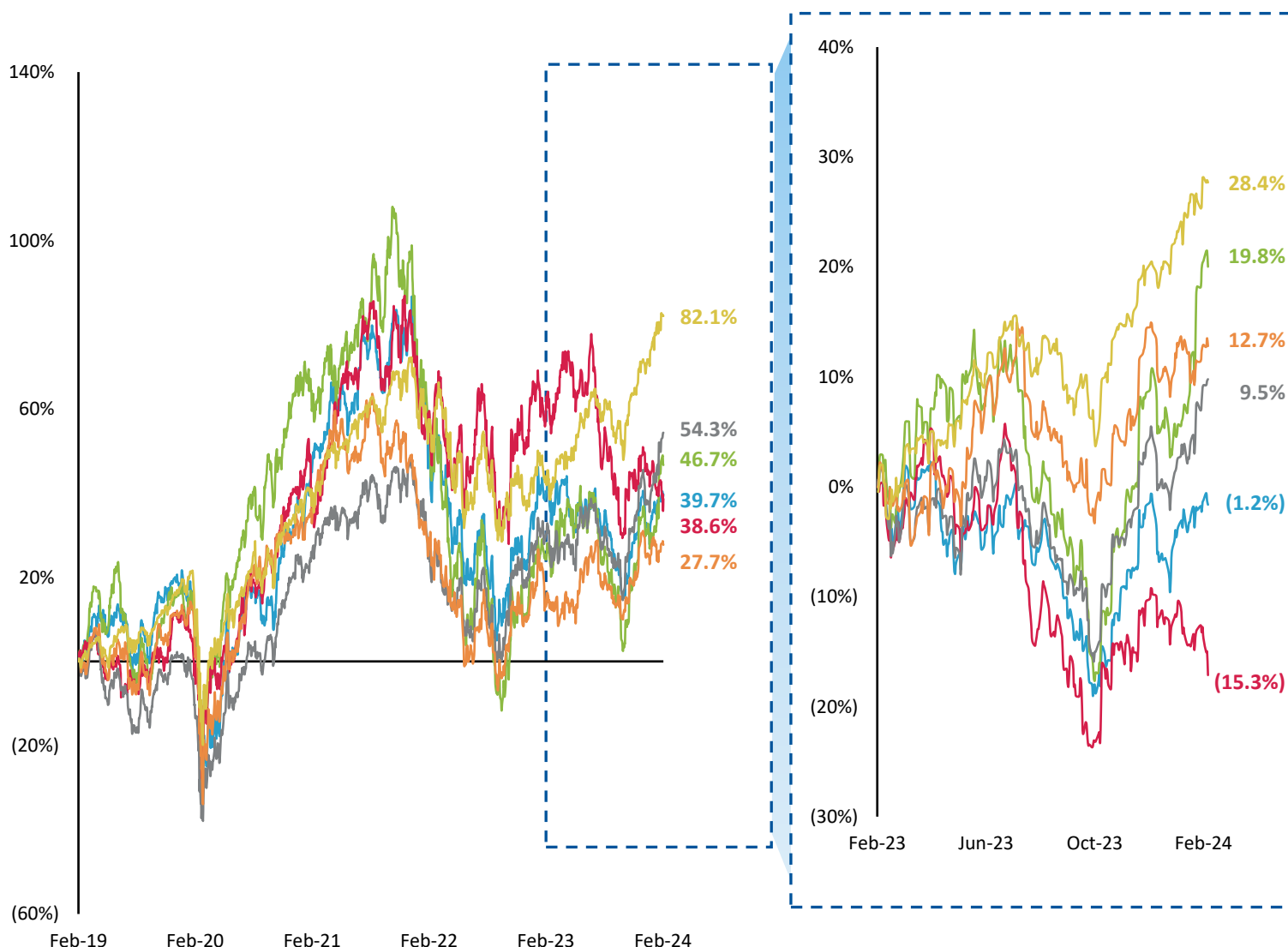
Average	3.5x	14.7x
Median	2.9x	14.3x

Industrial Equipment Share Price Evolution

Industrial Equipment stocks have picked up momentum in 2024, but are underperforming the broader market

Share Price Performance

Food Technology		Material Handling Equipment		Packaging Equipment		Other Industrial Equipment		Tools		S&P 500	
YTD	2.5%	YTD	10.6%	YTD	(6.0%)	YTD	5.4%	YTD	0.2%	YTD	7.5%
1-Year	(1.2%)	1-Year	19.8%	1-Year	(15.3%)	1-Year	9.5%	1-Year	12.7%	1-Year	28.4%
5-Year	39.7%	5-Year	46.7%	5-Year	38.6%	5-Year	54.3%	5-Year	27.7%	5-Year	82.1%



Source: S&P Capital IQ as of 02/29/2024.

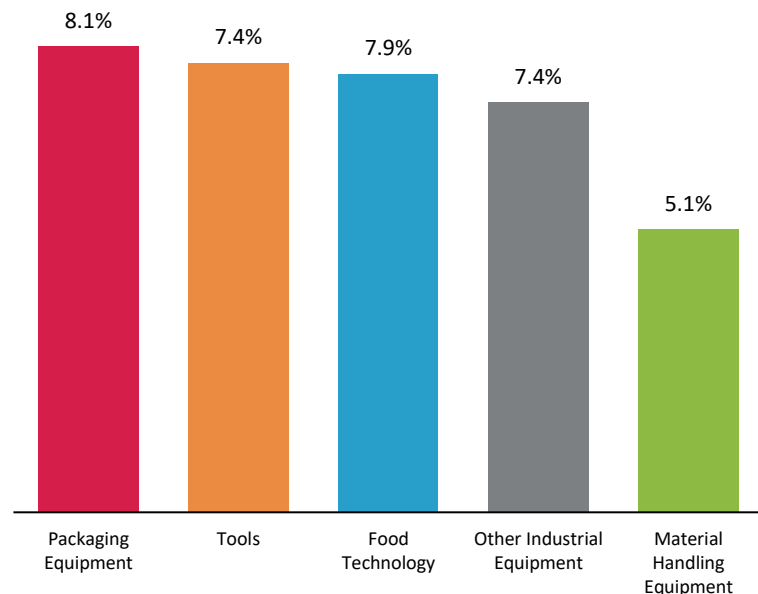
Note: Indices calculated as an unweighted average. See page 9 for index constituents. Shading in table corresponds to categories in the charts below.

Sector Financial Metrics Snapshot

Summary of key financial metrics across the Industrial Equipment sector

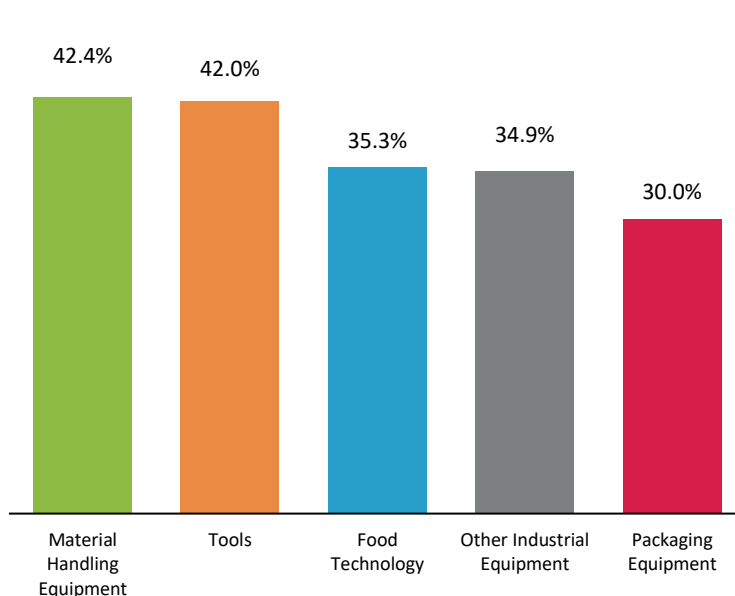
3-Year Revenue CAGR

(Median CY2020A - CY2023A revenue CAGR for peer groups)



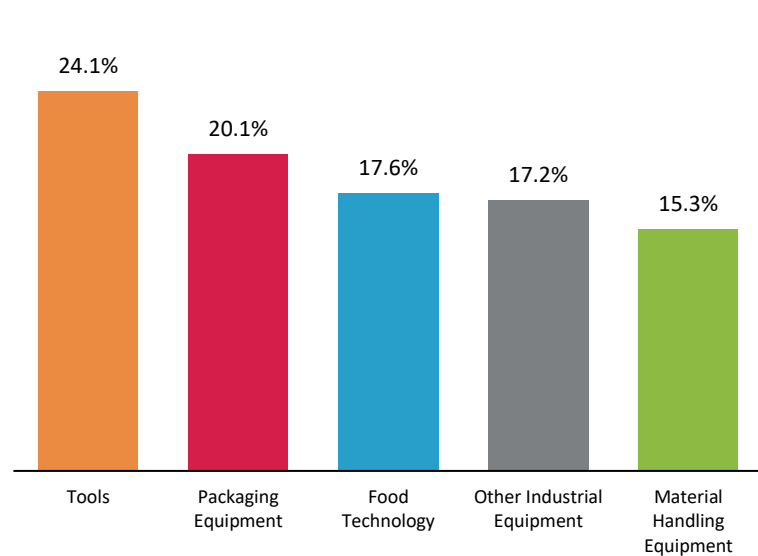
Gross Margin

(Median CY2023A gross margin for peer groups)



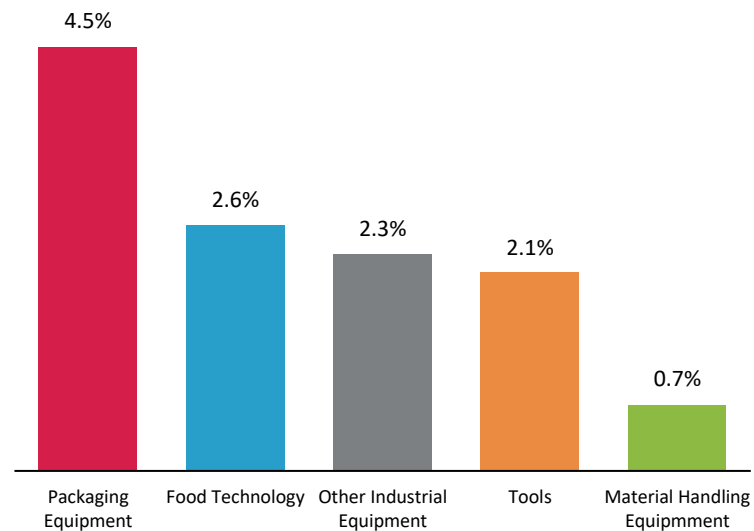
EBITDA Margin

(Median CY2023A EBITDA margin for peer groups)



Capex as a % of Sales

(Median CY2022A CapEx as a % of sales for peer groups)



EBIT Margin

13.8% 15.2% 13.5% 15.9% 11.3%

OCF Conversion ⁽¹⁾

77.8% 84.5% 89.8% 95.0% 86.6%

Source: S&P Capital IQ as of 02/29/2024.

Note: Pro forma values adjusted for M&A used when applicable; see page 9 for index constituents.

(1) OCF conversion defined as (EBITDA – CAPEX) / EBITDA.

Individual Company Performance Metrics

The forecast for 2024 suggests slowing revenue growth and continued margin growth relative to 2023

Company	Revenue Growth			EBITDA Growth			EBITDA Margin			Expansion / Contraction ⁽¹⁾	'23A Capex % of Sales
	2022A	2023A	2024E	2022A	2023A	2024E	2022A	2023A	2024E		
Food Technology	11.9%	4.5%	2.0%	7.0%	5.9%	13.4%	15.7%	17.6%	18.2%	164 bps	3.1%
Alfa Laval	10.5%	26.4%	5.1%	0.7%	43.4%	2.5%	17.3%	19.6%	19.1%	(50 bps)	3.8%
Dover	7.6%	(0.8%)	1.7%	7.7%	0.7%	6.9%	20.3%	20.6%	21.6%	106 bps	2.3%
GEA	3.2%	7.6%	1.4%	11.4%	(1.5%)	30.8%	12.1%	11.1%	14.3%	323 bps	4.2%
John Bean Technologies	13.4%	4.9%	5.4%	6.4%	15.7%	16.9%	14.1%	15.5%	17.2%	170 bps	3.3%
Marel	18.0%	4.2%	0.7%	(17.0%)	7.0%	48.0%	9.6%	9.9%	14.5%	464 bps	2.9%
Middleby	24.1%	0.1%	2.3%	18.8%	4.8%	9.9%	20.3%	21.3%	22.9%	159 bps	2.1%
Material Handling Equipment	2.0%	12.3%	0.7%	(1.9%)	15.4%	10.9%	12.9%	14.6%	16.0%	132 bps	1.6%
Columbus McKinnon	11.5%	7.1%	4.4%	14.8%	14.9%	16.2%	14.3%	15.3%	17.1%	173 bps	1.9%
Daifuku	1.7%	(2.4%)	3.3%	7.5%	(7.1%)	4.5%	11.5%	10.9%	11.0%	14 bps	2.6%
Interroll	2.3%	(7.1%)	(1.1%)	4.1%	(6.0%)	3.9%	18.5%	18.7%	19.6%	94 bps	0.0%
Kardex	16.7%	28.5%	(0.3%)	(9.5%)	59.4%	8.7%	11.1%	13.8%	15.0%	124 bps	2.4%
Konecranes	(0.7%)	21.9%	1.6%	(7.9%)	72.4%	13.1%	8.7%	12.4%	13.8%	140 bps	1.3%
Tomra	(0.1%)	17.6%	(3.9%)	(13.9%)	15.9%	24.5%	15.7%	15.5%	20.0%	457 bps	0.0%
Packaging Equipment	8.4%	11.7%	2.2%	8.2%	18.6%	8.0%	20.3%	19.2%	20.4%	112 bps	4.4%
Krones	8.4%	15.1%	9.8%	18.5%	18.6%	15.9%	9.3%	9.6%	10.1%	53 bps	1.6%
Sealed Air	2.0%	(2.7%)	(1.5%)	8.2%	(7.9%)	4.2%	20.3%	19.2%	20.4%	112 bps	4.4%
SIG Combibloc	10.8%	11.7%	2.2%	(2.8%)	29.1%	8.0%	20.7%	23.9%	25.2%	134 bps	12.3%
Other Industrial Equipment	8.3%	5.9%	2.8%	3.0%	7.7%	11.4%	15.4%	17.2%	17.7%	96 bps	2.2%
Andritz	9.7%	18.8%	(0.7%)	9.4%	14.3%	12.2%	9.9%	9.5%	10.7%	123 bps	2.0%
DMG Mori	8.4%	N/M	N/A	35.2%	N/A	N/A	10.2%	N/A	N/A	N/M	N/M
Dürr	14.6%	10.9%	3.2%	5.9%	(10.8%)	20.8%	8.4%	6.8%	7.9%	116 bps	0.0%
Graco	7.8%	2.4%	2.6%	10.2%	6.1%	11.4%	29.7%	30.8%	33.4%	263 bps	8.4%
Hillenbrand	0.0%	7.1%	2.8%	2.3%	14.6%	12.4%	14.2%	15.2%	16.6%	142 bps	2.0%
Husqvarna	(0.4%)	2.2%	(7.1%)	(21.0%)	27.1%	(5.5%)	11.9%	14.8%	15.1%	26 bps	4.9%
Kadant	15.0%	5.9%	10.9%	17.8%	7.6%	13.0%	20.8%	21.1%	21.5%	39 bps	3.3%
Lincoln Electric	14.9%	6.3%	3.4%	3.7%	12.8%	6.9%	17.7%	18.8%	19.5%	65 bps	2.2%
Nordson	6.0%	2.3%	5.5%	(0.4%)	7.7%	8.8%	29.2%	30.8%	31.7%	96 bps	1.2%
OC Oerlikon	8.3%	1.7%	(14.0%)	(15.7%)	(21.1%)	58.1%	10.4%	8.1%	14.8%	676 bps	3.1%
Otis	(4.3%)	3.8%	3.5%	(0.8%)	6.6%	6.9%	16.7%	17.2%	17.7%	56 bps	1.0%
Sandvik	13.7%	16.7%	(3.8%)	(5.1%)	29.0%	(5.1%)	21.4%	23.6%	23.3%	(32 bps)	3.1%
Tools	7.3%	3.6%	1.6%	4.4%	7.9%	15.1%	14.0%	24.1%	25.8%	181 bps	2.1%
Enerpac	7.3%	3.6%	1.6%	4.2%	78.5%	8.8%	14.0%	24.1%	25.8%	171 bps	1.6%
Fortive	10.9%	4.1%	6.8%	22.0%	7.9%	15.2%	25.3%	26.2%	28.2%	204 bps	1.8%
Illinois Tool Works	10.2%	1.1%	2.5%	8.5%	5.4%	3.6%	26.6%	27.7%	28.0%	30 bps	2.8%
Makita	(5.5%)	(11.0%)	(7.7%)	(46.9%)	3.7%	15.7%	9.1%	10.6%	13.3%	269 bps	3.2%
Snap-on	5.2%	5.5%	(5.0%)	8.1%	7.9%	1.1%	27.5%	28.1%	29.9%	181 bps	1.9%
Stanley Black & Decker	10.9%	(6.9%)	(1.5%)	(38.0%)	(25.5%)	49.0%	9.0%	7.2%	10.9%	369 bps	2.1%
Techtronic Industries	0.4%	3.6%	6.8%	4.4%	10.4%	15.1%	10.8%	11.5%	12.4%	90 bps	3.7%
Mean	7.7%	6.4%	1.2%	1.5%	13.4%	14.0%	16.1%	17.3%	18.9%	162 bps	2.8%
Median	8.3%	4.2%	2.2%	4.3%	7.9%	11.4%	14.2%	15.5%	17.7%	124 bps	2.3%

Source: S&P Capital IQ as of 02/29/2024.

(1) 2024E EBITDA Margin compared to 2023A EBITDA Margin.

Individual Company Performance Relative to Expectations

Most companies beat estimates in Q4 2023, but performance was mixed across Industrial Equipment sub-sectors

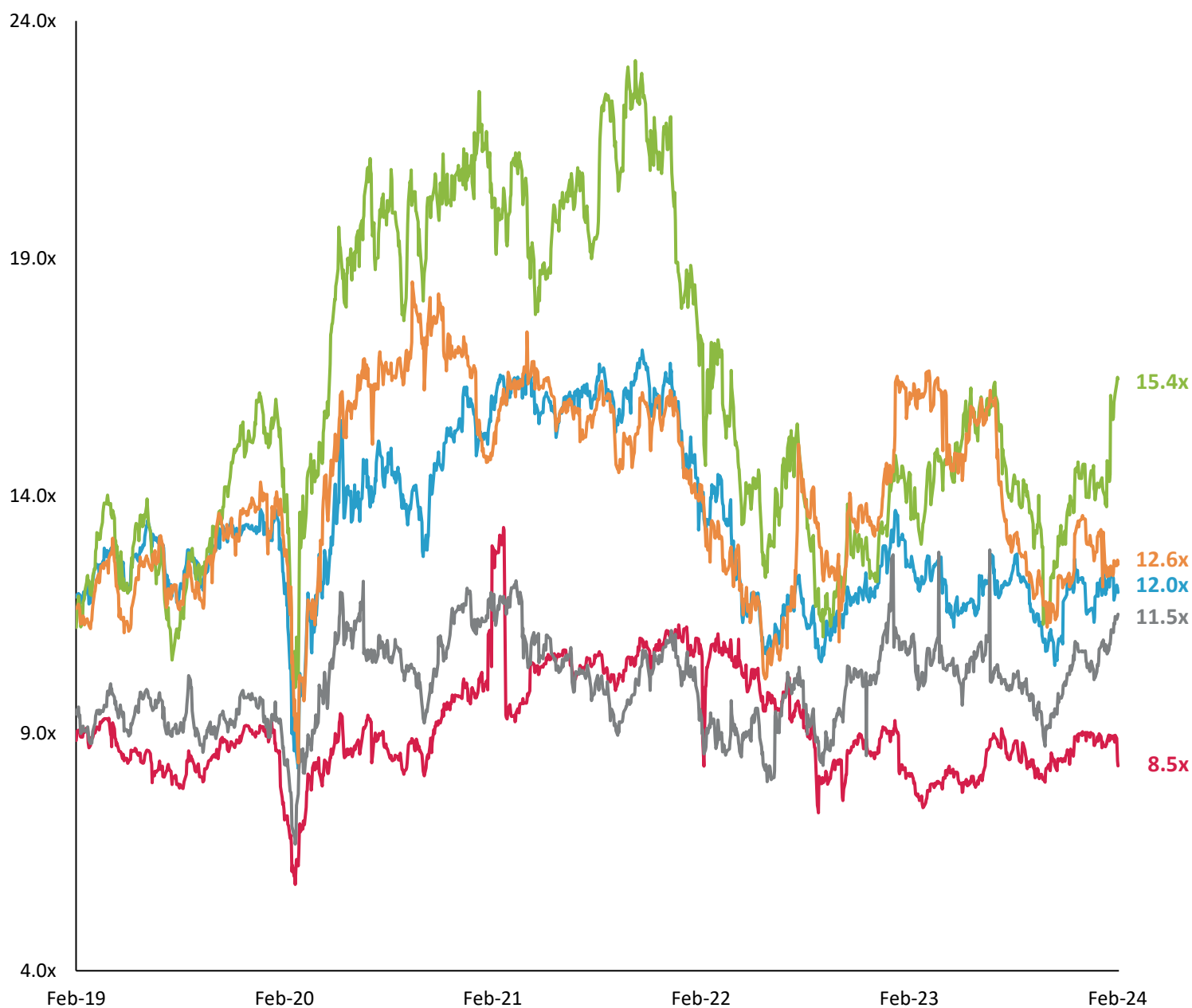
Company	Q4 2023 Estimate Beats / (Misses)		
	Revenue	EBITDA	EPS
Food Technology	(0.7%)	0.7%	1.9%
Alfa Laval	2.3%	(1.1%)	(17.9%)
Dover	(2.9%)	(5.3%)	0.8%
GEA	(5.1%)	0.7%	N/A
John Bean Technologies	(0.3%)	1.1%	2.9%
Marel	4.7%	N/A	N/A
Middleby	(1.2%)	2.6%	7.7%
Material Handling Equipment	3.2%	3.2%	11.2%
Columbus McKinnon	2.0%	3.2%	10.4%
Daifuku	(0.8%)	N/A	11.9%
Interroll	N/A	N/A	N/A
Kardex	N/A	N/A	N/A
Konecranes	4.4%	(0.7%)	40.2%
Tomra	17.5%	14.0%	(62.0%)
Packaging Equipment	1.0%	2.3%	18.5%
Krones	0.8%	2.4%	(0.6%)
Sealed Air	1.2%	2.3%	37.5%
SIG Combibloc	N/A	N/A	N/A
Other Industrial Equipment	0.8%	1.8%	5.7%
Andritz	4.5%	N/A	N/A
DMG Mori	N/A	N/A	N/A
Dürr	(0.3%)	(71.3%)	N/A
Graco	0.9%	1.8%	1.3%
Hillenbrand	(0.6%)	0.8%	11.3%
Husqvarna	(3.5%)	28.0%	N/A
Kadant	4.7%	9.6%	14.8%
Lincoln Electric	2.3%	6.1%	12.4%
Nordson	0.5%	4.3%	5.7%
OC Oerlikon	N/A	N/A	N/A
Otis	1.5%	(1.5%)	1.2%
Sandvik	0.6%	(1.8%)	(11.8%)
Tools	0.4%	0.5%	11.1%
Enerpac	3.0%	21.5%	21.9%
Fortive	1.2%	4.4%	4.3%
Illinois Tool Works	(0.8%)	N/A	0.4%
Makita	1.7%	N/A	20.2%
Snap-on	(0.5%)	(3.5%)	1.9%
Stanley Black & Decker	(2.7%)	(15.6%)	17.9%
Techtronic Industries	N/A	N/A	N/A
Mean	1.3%	0.1%	5.8%
Median	0.8%	1.8%	5.7%

Industrial Equipment Valuation Dynamics

Current public market valuations are well off historical peak levels, but many are now more in-line with long-term, average levels

Median EV / NTM EBITDA

Food Technology			Material Handling Equipment			Packaging Equipment			Other Industrial Equipment			Tools		
Current	12.0x	▲	Current	15.4x	▲	Current	8.5x	▲	Current	11.5x	▲	Current	12.6x	▲
1-year	12.2x	(0.3x)	1-year	14.6x	0.8x	1-year	8.4x	0.1x	1-year	10.2x	1.3x	1-year	13.9x	0.1x
5-year	13.0x	(1.0x)	5-year	15.5x	(0.2x)	5-year	9.6x	0.3x	5-year	10.3x	1.2x	5-year	12.5x	(1.4x)



Source: S&P Capital IQ as of 02/29/2024.

Note: See page 9 for index constituents. Shading in table corresponds to categories in the charts below.

Current Public Market Valuations

Current public market valuations are generally below long-term, normalized levels, but companies have recaptured value over the past year

EV / EBITDA Multiples

(EV / NTM EBITDA multiples for peer companies)



Source: S&P Capital IQ as of 02/29/2024.

Note: DMG Mori and Enerpac excluded as estimates not available. EV / EBITDA values shown in order of current and 5-year median.

Individual Company Valuations

Overall, the Industrial Equipment sector currently trades at 13.4x 2023A EBITDA and 12.6x 2024E EBITDA

Company	Market Cap. (\$ m)	EV (\$ m)	EV / EBITDA		EV / EBIT		P / E		Net Debt / EBITDA
			2023A	2024E	2023A	2024E	2023A	2024E	2023A
Food Technology			13.8x	12.0x	18.5x	16.1x	22.5x	18.9x	1.6x
Alfa Laval	\$15,537	\$17,665	14.2x	13.8x	17.8x	15.8x	27.7x	20.5x	1.2x
Dover	23,136	27,206	15.7	14.7	19.2	17.9	21.1x	18.3	1.9
GEA	7,164	6,990	10.6	8.1	12.3	10.7	14.7x	14.3	(0.7)
John Bean Technologies	3,226	3,464	13.4	11.5	19.1	16.4	23.8x	19.6	0.7
Marel	2,602	3,501	18.6	12.6	33.8	17.8	60.0x	29.0	5.0
Middleby	8,156	10,561	12.3	11.2	14.4	13.3	17.4x	14.8	2.8
Material Handling Equipment			18.3x	16.6x	20.6x	18.4x	29.3x	28.0x	1.9x
Columbus McKinnon	\$1,200	\$1,715	11.2x	9.6x	15.4x	13.2x	22.0x	13.0x	3.7x
Daifuku	8,771	7,989	17.1	16.3	20.2	16.2	28.0x	28.2	N/A
Interroll	2,585	2,507	20.1	19.2	26.2	24.8	30.6x	33.1	N/A
Kardex	2,053	2,093	19.6	18.2	21.0	20.7	31.9x	27.8	N/A
Konecranes	4,075	4,707	8.7	7.7	9.9	9.7	12.9x	12.8	1.3
Tomra	3,933	4,733	21.0	16.9	41.0	27.5	37.6x	32.9	1.9
Packaging Equipment			9.3x	8.9x	12.0x	11.7x	16.1x	13.0x	3.8x
Krones	\$3,903	\$3,871	7.7x	6.7x	11.7x	9.5x	15.1x	13.0x	N/A
Sealed Air	5,038	9,844	9.3	8.9	12.0	11.7	17.2x	12.2	3.9x
SIG Combibloc	7,576	10,269	12.0	11.1	23.0	18.9	NM	20.2	3.6
Other Industrial Equipment			11.3x	11.8x	20.2x	16.8x	26.4x	18.9x	2.1x
Andritz	\$6,231	\$5,654	6.2x	5.5x	7.8x	7.1x	11.4x	10.3x	N/A
DMG Mori	3,749	3,695	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dürr	1,529	2,234	6.4	5.3	10.6	7.8	9.6x	9.3	1.5x
Graco	15,348	15,082	22.3	20.0	25.1	22.5	28.6x	29.1	N/A
Hillenbrand	3,336	5,385	10.8	9.6	14.8	14.8	31.3x	12.5	4.5
Husqvarna	4,398	6,246	8.0	8.4	12.6	13.3	26.4x	14.9	2.5
Kadant	3,953	3,817	18.9	16.7	22.6	21.1	28.6x	33.8	0.2
Lincoln Electric	14,581	15,130	19.2	17.9	21.5	20.1	25.5x	26.7	1.1
Nordson	15,193	16,674	20.4	18.8	23.9	22.0	31.2x	25.4	2.1
OC Oerlikon	1,549	2,896	11.2	7.1	40.0	16.8	16.0x	18.9	2.5
Otis	38,640	45,286	18.6	17.4	20.2	18.8	27.0x	24.7	2.6
Sandvik	28,180	33,494	11.3	11.8	15.0	15.3	18.9x	18.2	1.9
Tools			15.6x	13.1x	21.0x	15.8x	26.1x	21.7x	1.2x
Enerpac	\$1,825	\$1,891	13.1x	13.1x	14.7x	14.7x	26.8x	18.2x	1.2x
Fortive	29,913	31,749	20.0	17.3	28.1	24.2	31.7x	22.5	1.3
Illinois Tool Works	78,330	85,526	19.1	18.5	21.0	20.3	25.4x	25.9	1.7
Makita	7,014	6,362	11.5	9.9	18.3	13.7	49.1x	22.0	(1.9)
Snap-on	14,531	15,678	10.9	10.8	11.6	11.6	15.7x	14.5	0.2
Stanley Black & Decker	13,733	21,378	17.8	12.6	34.4	15.8	NM	21.7	3.4
Techtronic Industries	19,853	24,737	15.6	13.6	22.1	19.3	22.4x	17.3	1.2
Mean			14.3x	12.7x	20.0x	16.5x	25.3x	20.5x	1.9x
Median			13.4x	12.6x	19.2x	16.2x	25.5x	19.6x	1.9x

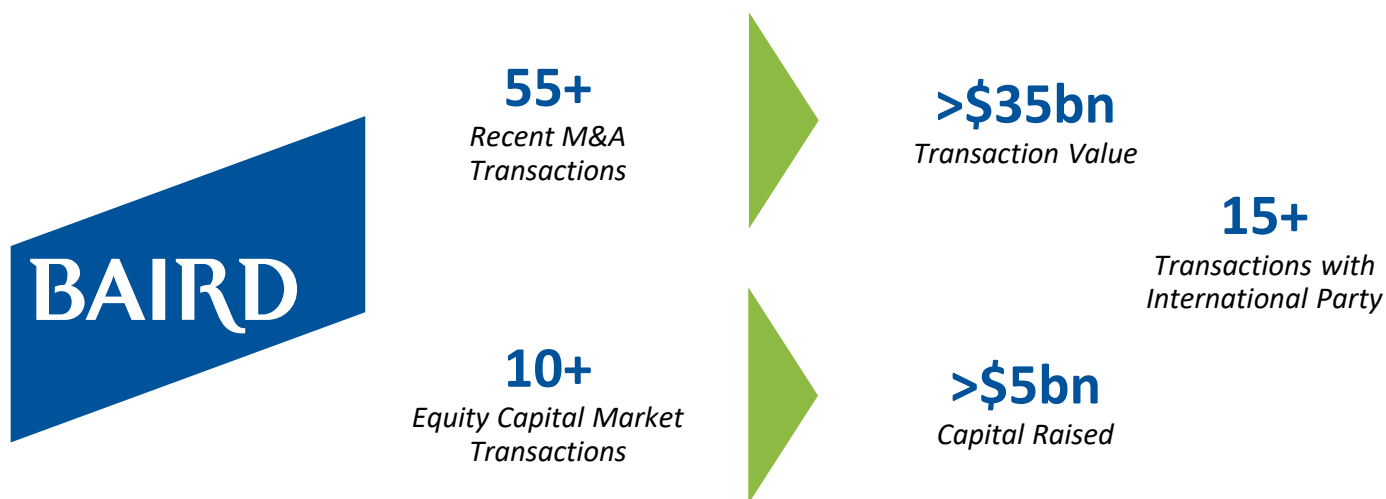
Source: S&P Capital IQ as of 02/29/2024.

Note: Pro forma values adjusted for M&A used when applicable.

BAIRD'S INDUSTRIAL EQUIPMENT PRACTICE

Baird's Commitment to Industrial Equipment

Dedicated team with extensive experience in the Industrial Equipment sector



Dedicated Industrial Equipment Team



Mike Barina
Managing Director



Mike Lindemann
Co-Head of Global Industrial and Co-Head of Global M&A



Alex Carver
Vice President

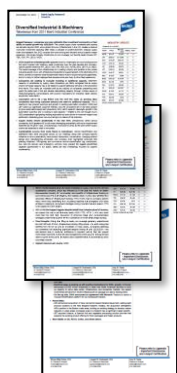


Karl Burns
Vice President

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Mig Dobre
Sr. Research Analyst, Diversified Industrials and Machinery



- ✓ 15+ years of experience as a Diversified Industrial & Machinery research analyst
- ✓ 500+ research documents published over the last 12 months



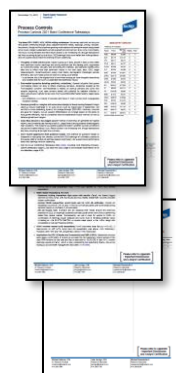
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Sr. Research Analyst, Advanced Industrial Equipment



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Mike Halloran
Sr. Research Analyst, Process Controls



- ✓ 15+ years of experience as a Process Controls research analyst
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Note: Transactions since 2010.

Baird's Recent Industrial Equipment Experience



Proprietary connector systems and tools for electrical utilities



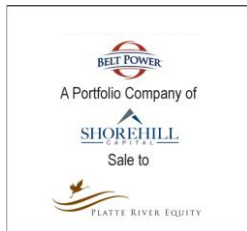
Liquid cooling technologies for data center applications



Electrical connectors, tools, test instruments and cable management



Warehouse design, automation and integration solutions



Premium belting and automation solutions



Automation solutions for the food processing industry



Ergonomic products for working and healthcare environments



Vehicle-mounted aerial lifts and other equipment



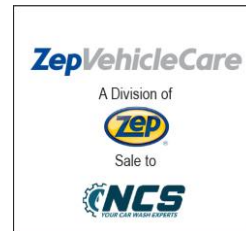
Food processing equipment and aftermarket solutions



Process automation solutions and components



Inventory vending and dispensing solutions



Commercial car wash chemical and water reclamation systems



Highly engineered fluid handling products



Air management, thermal, HVAC and IAQ solutions



Industrial, precision and sanitary conveyance solutions

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