



BAIRD

# INDUSTRIAL EQUIPMENT SECTOR UPDATE

April 2023

# Baird's Industrial Equipment Update

*Industrial equipment sector performance is off to a slower start in 2023 due to a confluence of macro headwinds*

## Industrial Equipment Update

### ■ Macroeconomic Environment

- Overall economic growth expected to remain limited in the near-term driven by recession concerns and continued rate hikes
- Tighter financing markets and broader economic uncertainty driving equipment manufacturers to prioritize organic growth / cost initiatives
- Supply chains continue to normalize, with remaining issues expected to ease in 2023 – manufacturers further enhancing resilience through reshoring and diversification

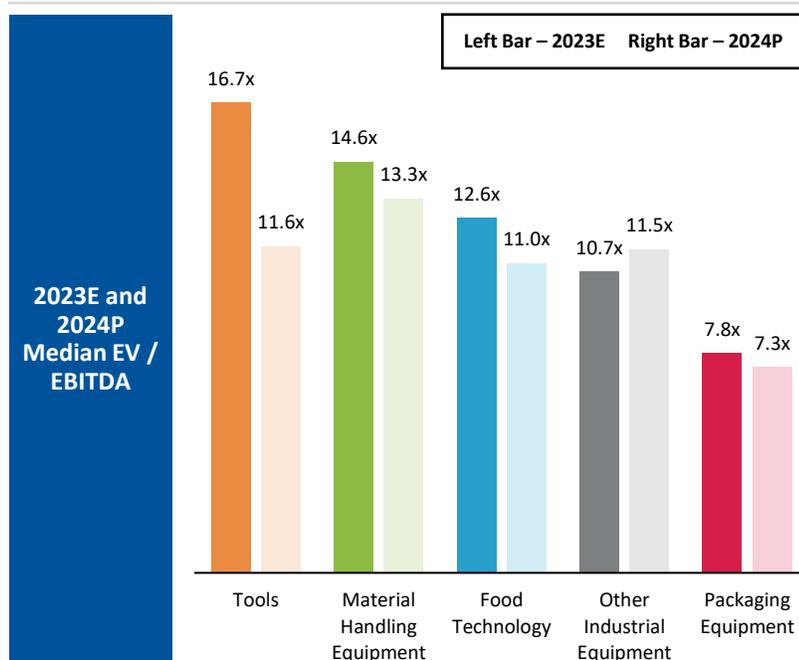
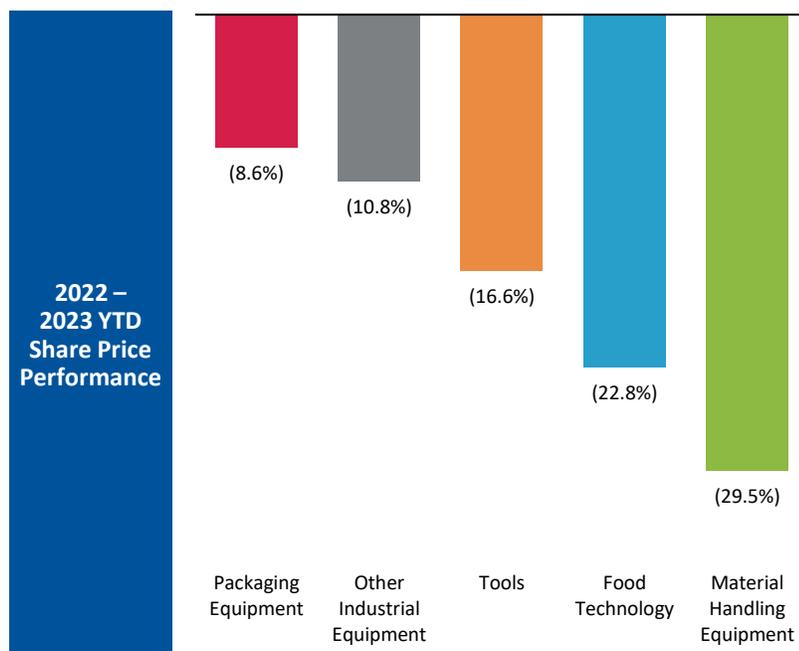
### ■ Public Market Backdrop

- Stocks continue to feel the weight of tightening fed policy, shrinking market liquidity and slower economic growth
- Investors increasingly favoring industrial equipment stocks with demonstrated pricing power and demand inelasticity; “flight to quality” is the main theme in relative positioning
- Investors continue to be cautious in their forward outlook but relative strength in companies with greater backlog visibility

### ■ M&A Environment

- Following record activity levels in 2021, M&A activity in 2022 slowed due to peak inflation, rising rates and geopolitical shocks
- While M&A trends in YTD 2023 are carrying forward from last year, activity could rebound later in the year with more clarity on the broader macroeconomic outlook
- Corporates remain focused on using this period to aggressively pursue strategic / synergistic M&A
- Volatility in leverage markets has pressured recent deal activity; private credit markets are more open than public markets, but direct lenders are cautious and selective in reviewing opportunities

## Sector Trading Update



## 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*



“Sales were largely in line with expectations with ongoing strength within Industrial (particularly EMEA/APAC) and Process partially offset by weaker Contractor trends...backlog has remained elevated from prior component shortages coupled with strong demand...1Q underlying trends likely prove resilient.... However, we have reservations about the sustainability of overall demand (particularly construction, an important driver of GGG volumes) and we expect more challenging 2H23 growth (particularly 4Q)”

- [Research note on 01/31/23](#)



“Healthy Automation business backlogs support Americas growth while International could also be better than feared (China reopening, Europe activity holding up much better than we previously thought). Into 2024, we are intrigued by the EV Charger opportunity – this business will take time to ramp but based on LECO capacity and ASP expected near \$100k, chargers could potentially add 3%+ to Americas organic growth.”

- [Research note on 02/21/23](#)



“Management expects equipment demand to remain healthy despite an uncertain economic backdrop, driven by robust new unit openings (especially large chains, both domestically and internationally), pent-up demand post Covid across multiple channels, and customers seeking solutions to challenges regarding labor, energy, speed of service, and food costs (NAFEM attendance noted as strong) with a deferred replacement cycle expected later in 2023 and into 2024 and 2025”

- [Research note on 02/21/23](#)



“Industrial orders were much better than we anticipated, it's hard to find periods in which broad-based PMI declines were not associated with meaningful Industrial order compression – this is in part a factor of high OEM customer backlogs supporting production schedules into CY23 (shape of this cycle seems a bit different as a result) but also a function of PH's evolving portfolio and increased exposure to verticals able to deliver outgrowth (EVs, Aerospace).”

- [Research note on 02/02/23](#)



“Commentary on the external environment was likely better than feared, with management indicating Q4 North American POS trends were similar sequentially, while inventory levels at key North American customers were slightly below pre-COVID levels (on a weeks-held basis). Declines were again driven by consumer/DIY (not surprising), while price and Pro growth partially offset. Net, commentary indicates some stability in the external environment, suggesting incremental inventory destocking is now largely internal for SWK”

- [Research note on 02/02/23](#)

\* 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.

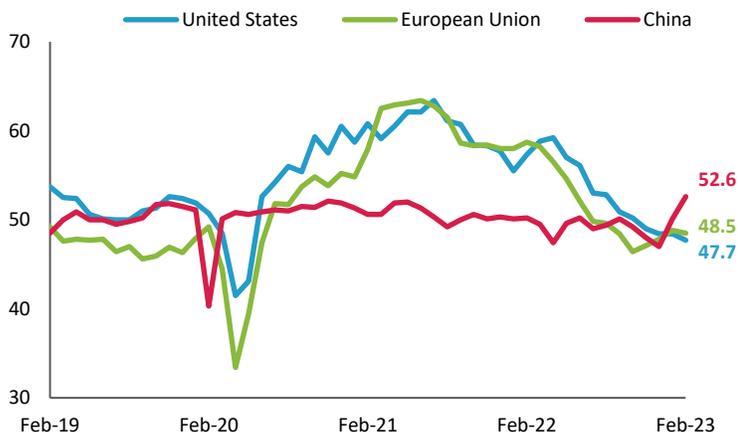
Note: The above excerpts from Baird Equity Research reports were from the current quarterly earnings reports as of the preparation of this report, but may not be the most current reports available.

# Industrial Equipment Market Backdrop

*The global production environment decelerated in 2022 and remains stable thus far in 2023*

## Manufacturing Purchasing Manager's Index

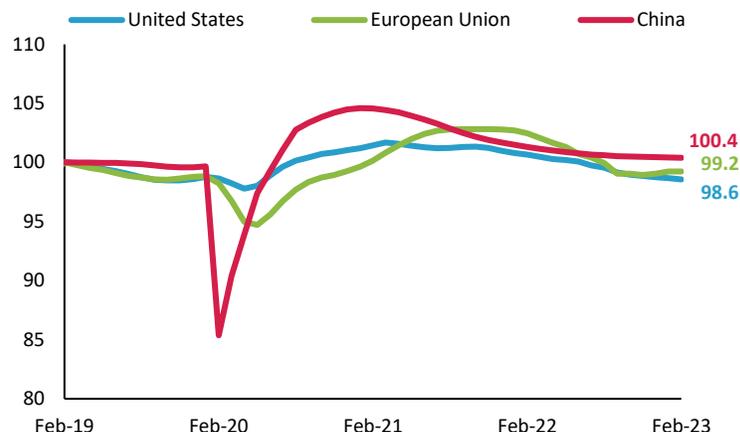
(50 equals no change)



Purchasing manager sentiment in the U.S and Europe remains stable YTD after regressing in 2022, while China has experienced a sharp uptick in recent months

## Business Manager Confidence

(Index equals 100)



Globally, business manager sentiment has remained stable in the YTD period after confidence levels declined modestly in 2022

## Manufacturing New Orders (1)

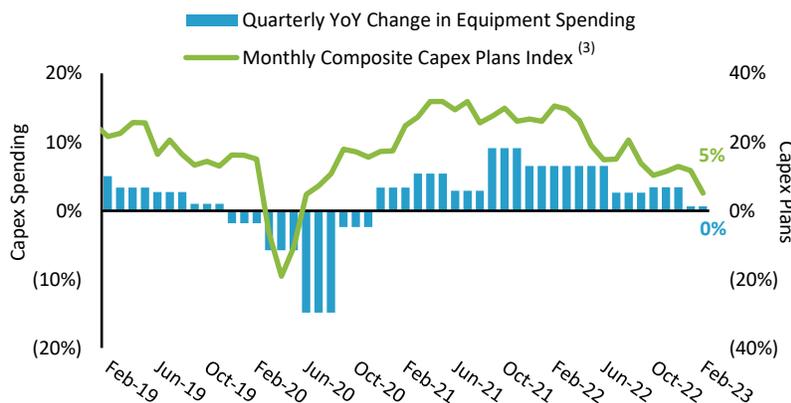
(Index equals 100)



Relative strength in China, with new order activity in the U.S. a big question in H2 2023

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

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



Business investment from industrial equipment manufacturers has slowed in 2023 as companies adjust to macroeconomic headwinds and tighter credit availability

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 3/27/2023.

(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.

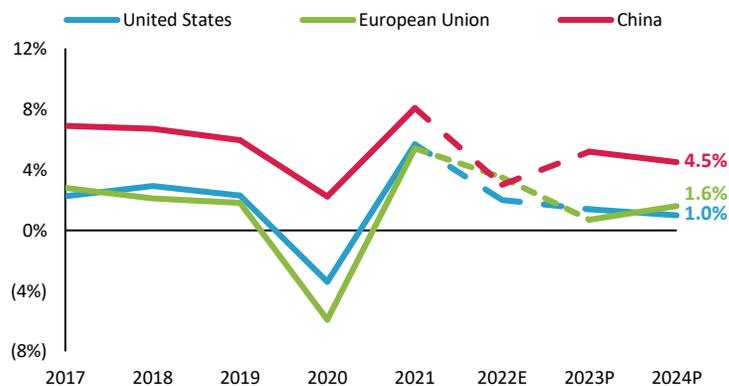
# Industrial Equipment Market Backdrop (Cont.)

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

## Selected Key Indicators

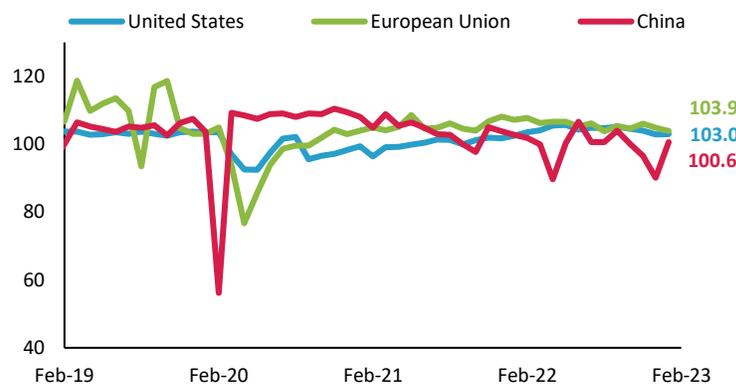
### GDP Growth

(% growth)



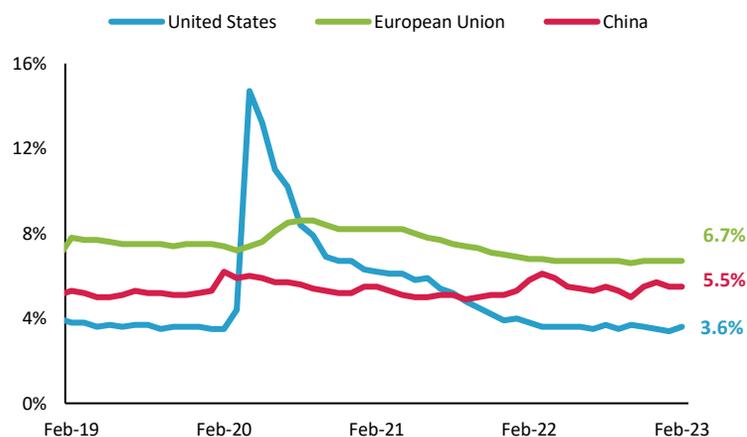
### Industrial Production Index <sup>(1)</sup>

(Output indexed to 100)



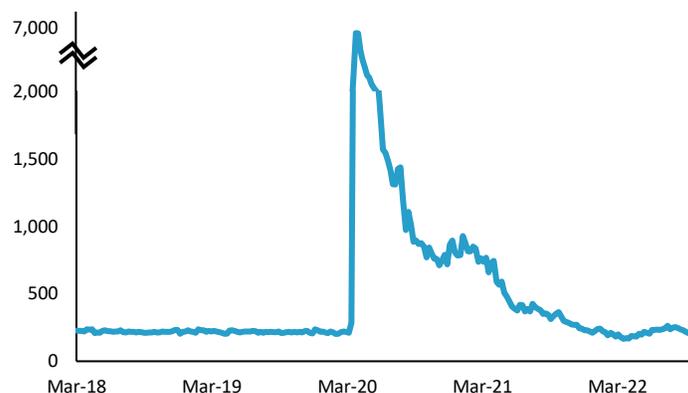
### Unemployment Rate

(Unemployment rate in %)



### U.S. Jobless Claims <sup>(2)</sup>

(Weekly initial claims in thousands)



## In The News

### Recent Headlines & Notable Events

- **3/31:** Consumer Spending Growth Slowed in February ([LINK](#))
- **3/15:** U.S. Producer Prices Dropped in February ([LINK](#))
- **3/14:** Inflation Eases as Fed Confronts Bank Failures ([LINK](#))
- **3/12:** Global Economy Gets Tailwind From Falling Energy Prices ([LINK](#))

### Upcoming Trade Shows

- **Precision Machining Technology Show**  
Cleveland, OH (4/18/2023 – 4/20/2023)
- **The Car Wash Show**  
Las Vegas, NV (5/8/2023 – 5/10/2023)
- **Automate Show**  
Detroit, MI (5/22/2023 – 5/25/2023)
- **Motion + Power Technology Expo**  
Detroit, MI (10/17/2023 – 10/19/2023)

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

*Slower M&A and financing pace of 2022 has continued in early 2023 amid macro headwinds and higher interest rates*

## M&A Market Update

### Industrial Equipment M&A Activity

(\$ in billions)

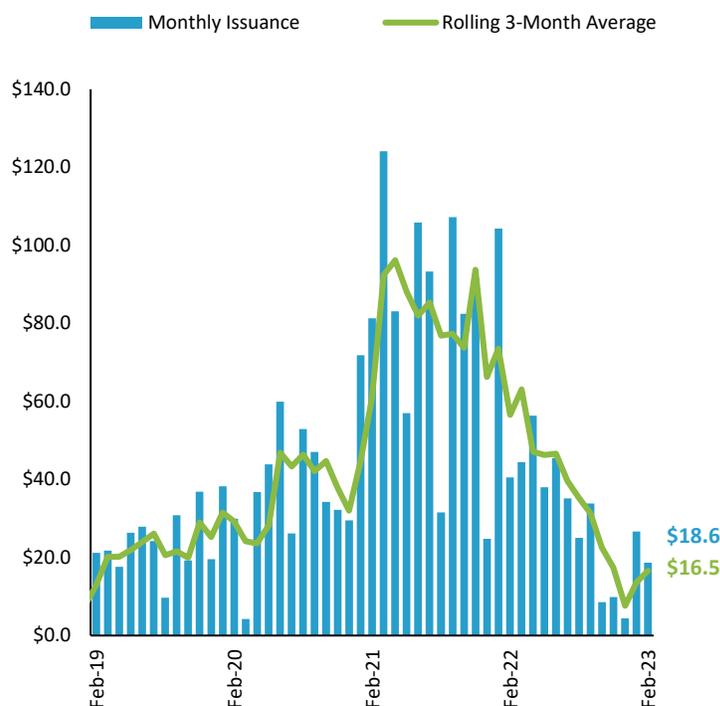


- Relatively weak M&A market activity in 2H 2022 has carried into 2023 amidst macro headwinds
- Under normalized conditions, financial sponsors are well-positioned to transact due to ~\$2 trillion of uninvested capital on a global basis
- Some strategics seeing current environment as opportunistic given the current lending markets may pose challenges for some financial sponsors
- Overall asset quality and resilience is in focus, with top-tier businesses trading at premium valuations as a result of a strong flight to quality

## Financing Market Update

### Global High-Yield Loan Volume

(monthly; \$ in billions)



- The financing environment has improved in Q1 2023 relative to late 2022 activity, but is still challenged given overall uncertainty
- Private credit will continue to outcompete public markets, albeit at the risk adjusted, lender-friendly terms seen since late 2022
- Uncertainty in leverage market is contributing to growing pressure on M&A valuations
- Credit availability should broaden with clarity on the Fed's terminal rate and the shape of the economic cycle

Source: S&P Capital IQ, S&P LCD and Dealogic as of 3/27/2023. Includes Europe and U.S. M&A with transaction value disclosed above \$20 million per Dealogic.

# Selected Recent Industrial Equipment M&A Activity

*Top tier Industrial Equipment assets are commanding premium valuations from a strong “flight to quality” in the broader M&A market*

Date Announced	Target	Acquirer	Target Description	Enterprise	EV /	
				Value	Sales	EBITDA
4/3/2023	ECM Industries	nVent	Provider of electrical connectors, tools and test instruments and cable management	\$1,100	2.7x	10.6x
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	\$375	1.3x	N/A
1/20/2023	ABB (Power Conversion Business)	AcBel Polytech	Manufacturer of electricity grids, low voltage products, power products and system	\$505	1.1x	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	Liqui-Box	Sealed Air Corporation	Manufactures flexible liquid packaging solutions for food & beverage applications	\$1,150	N/A	N/A
10/21/2022	Isoli S.P.A	Klubb Group	Manufactures and assembles boom platforms for tow trucks, aerial platforms with boom lift	N/A	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	2.9x	N/A
9/12/2022	Filtec	Undisclosed Party	Manufactures food, beverage and pharmaceutical inspection machines	N/A	N/A	N/A
8/8/2022	Sphinx Tools	Sandvik Coromant	Manufactures and distributes precision tools for metalworking, medical and manufacturing industries	N/A	N/A	N/A
8/8/2022	InSinkErator (Emerson waste-disposal affiliate)	Whirlpool Corporation	Manufactures food waste disposers and instant hot water dispensers for home and commercial use	3,000	5.0	18.1x
8/2/2022	Tractel Group	AEA Investors	Provides fall protection safety products, and lifting / handling equipment	507	0.9	N/A
8/2/2022	Burke Porter Group	AEA Investors	Manufactures automated diagnostic, testing and production solutions	1,000	N/A	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 equipments	584	N/A	12.4
7/13/2022	Lighthouse 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	Level5 Tools	Worthington Industries	Manufactures drywall tools including taping and finishing tools, skimming blades & hand tools	80	2.4	12.9
6/2/2022	Ergotron	The Sterling Group	Manufactures ergonomic mounting and mobility products for monitors & displays	650	N/A	N/A
5/23/2022	Frontmatec	Bettcher Industries	Manufacturer of food processing machinery	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 aftermarkets	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	Harvey Performance Company	Berkshire Partners	Manufactures specialized cutting tools for precision machining applications	N/A	N/A	N/A
11/3/2021	Bettcher Industries	KKR	Manufactures food processing equipment and associate aftermarket parts	N/A	N/A	N/A
11/3/2021	Engineered Fastener Company	Frontenac	Manufactures engineered fasteners and specialized component solutions	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 Board	Manufactures elevator components and systems	N/A	N/A	N/A
10/11/2021	Unified 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	Masterflex	Avantor	Manufactures peristaltic pumps and fluid transfer solutions	2,900	N/A	N/A
9/7/2021	Rivit	Fervi S.p.A.	Manufactures fastening systems, tools and machines for sheet metal assembly	21	N/A	N/A
9/7/2021	CoreHog	Harvey Performance Company	Manufactures composite and core cutting tools	N/A	N/A	N/A
9/1/2021	Airxcel RV Group	THOR Industries	Manufactures recreational vehicle equipment and components	750	1.1	7.6
9/1/2021	NCC Automated Systems	ATS Automation Tooling Systems	Manufactures automation systems and conveyance products	40	N/A	N/A
9/1/2021	Major Tool & Machine	Precinmac Precision Machining	Manufactures hardware for aerospace, power generation and industrial markets	N/A	N/A	N/A
8/31/2021	Ohio Tool Works	Hardinge Inc.	Manufactures industrial honing equipment and related components	N/A	N/A	N/A
8/30/2021	Sampierana	CNH Industrial	Manufactures and assembles undercarriages, machines and spar	120	N/A	N/A
8/26/2021	Registrar Corp	Paine Schwartz Partners	Provides supply chain solutions and services for food & beverage applications	N/A	N/A	N/A
8/18/2021	Myers Emergency Power Systems	Kohlberg & Company	Manufactures backup power solutions for emergency lighting systems	N/A	N/A	N/A
8/17/2021	MTD Holdings	Stanley Black & Decker	Manufactures outdoor power equipment and vehicles	1,600	0.8	8.0
8/16/2021	Schlafhorst	Rieter Holding	Manufactures textile machinery equipment and components	355	N/A	N/A
8/11/2021	The ExOne Company	Desktop Metal	Manufactures 3D printing machines and complimentary parts	610	N/A	N/A
8/10/2021	Monster Tool Company	GWS Tool Group	Manufactures carbide cutting tools	N/A	N/A	N/A
8/7/2021	Schaltbau Holding	The Carlyle Group	Manufactures components and systems for transportation technology	610	1.3	16.5
8/2/2021	Meggitt PLC	Parker-Hannifin	Manufactures components and sub-systems	10,105	4.2	20.6
7/30/2021	Hydra-Flex	Sonny's Enterprises	Manufactures of fluid handling products	N/A	N/A	N/A
7/20/2021	Hannibal Industries	Nucor	Manufactures carbon steel tubing and pallet racking systems	370	N/A	6.9
7/20/2021	Barletta Pontoon Boats	Winnebago Industries	Manufactures outdoor lifestyle products for the marine sector	320	1.5	12.1
7/19/2021	ATI Industrial Automation	Novanta Corporation	Manufactures robotic components and assemblies	172	N/A	N/A
7/14/2021	Oregon Tool	Platinum Equity, LLC	Manufactures replacement parts and accessories for outdoor applications	N/A	N/A	N/A
7/12/2021	DWFritz Automation	Sandvik	Manufactures automation and inspection solutions for advanced manufacturing	N/A	N/A	N/A
7/7/2021	MDS International	Terex Corporation	Manufactures heavy duty quarry and recycling screen equipment	20	N/A	N/A

Average	2.7x	14.3x
Median	2.5	13.6

Note: Dollars in millions.

Source: Capital IQ, company disclosure, Wall Street research and industry press.

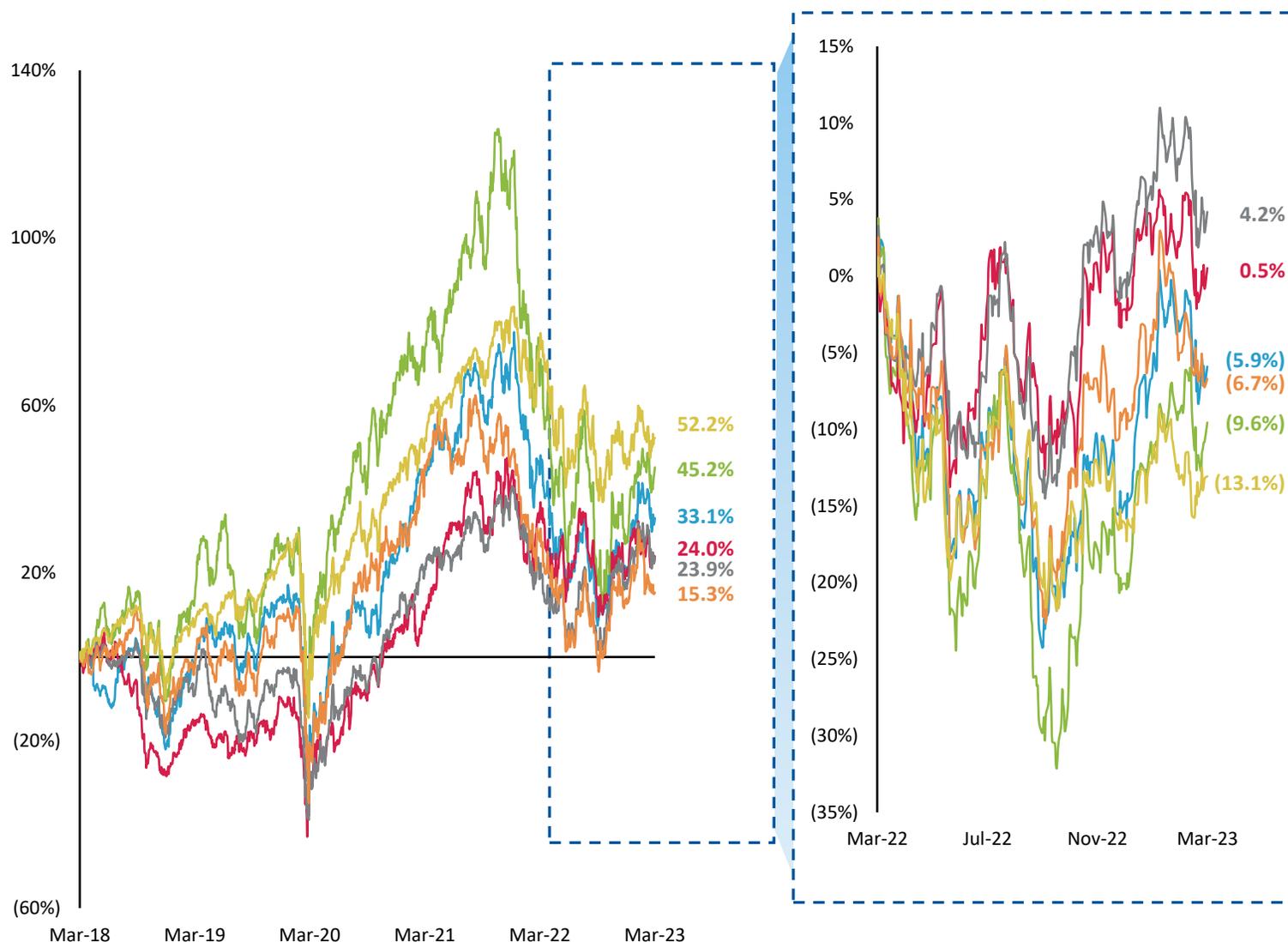
# PERFORMANCE AND VALUATION UPDATE

# Industrial Equipment Share Price Evolution

*Industrial Equipment stocks are well off their highs, with recent volatility consistent with the broader market*

## Share Price Performance

Food Technology		Material Handling Equipment		Packaging Equipment		Other Industrial Equipment		Tools		S&P 500	
YTD	9.4%	YTD	10.8%	YTD	1.3%	YTD	2.9%	YTD	2.4%	YTD	4.0%
1-Year	(5.9%)	1-Year	(9.6%)	1-Year	0.5%	1-Year	4.2%	1-Year	(6.7%)	1-Year	(13.1%)
5-Year	33.1%	5-Year	45.2%	5-Year	24.0%	5-Year	23.9%	5-Year	15.3%	5-Year	52.2%



Source: S&P Capital IQ as of 3/27/2023.

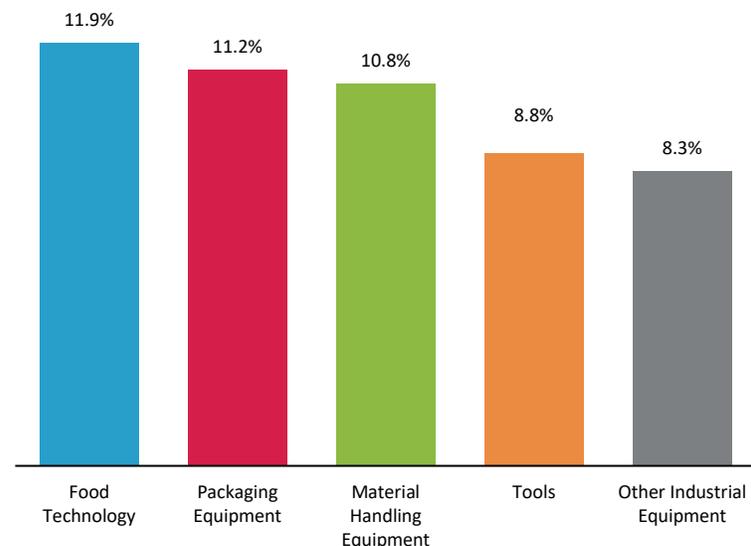
Note: Indices calculated as an unweighted average. See page 9 for index constituents. Shading in table corresponds to categories in the charts below.

# Sector Financial Metrics Snapshot

Summary of key financial metrics across the Industrial Equipment sector

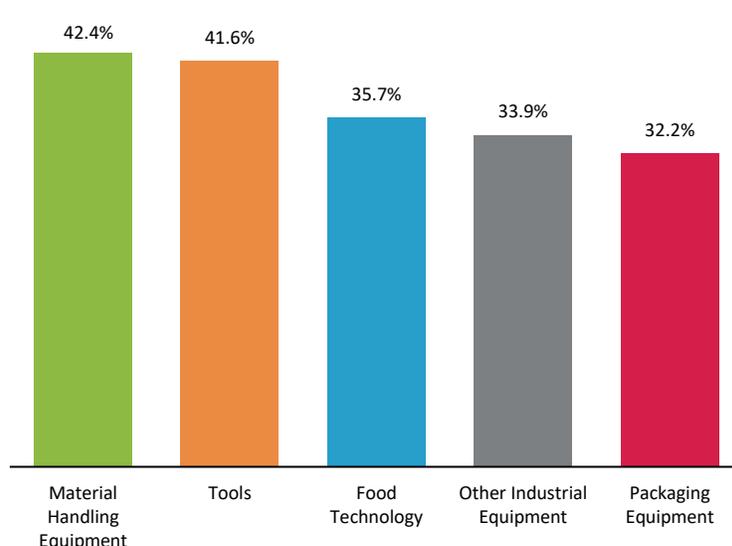
## 3-Year Revenue CAGR

(Median CY2020A - CY2023E revenue CAGR for peer groups)



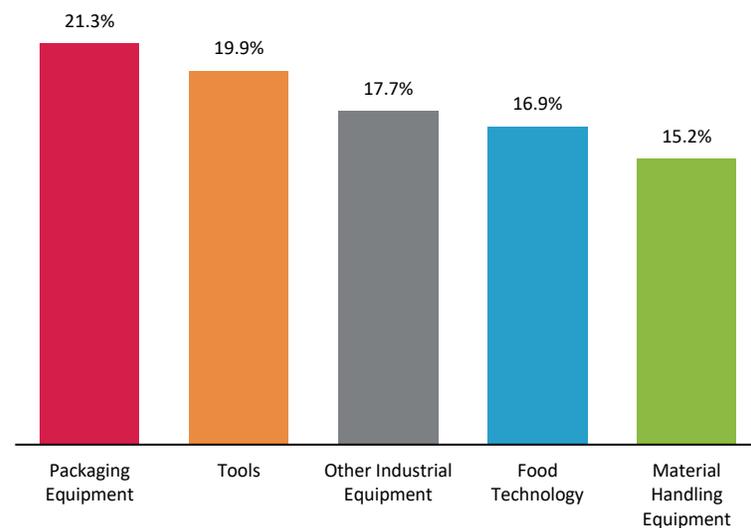
## Gross Margin

(Median CY2023E gross margin for peer groups)



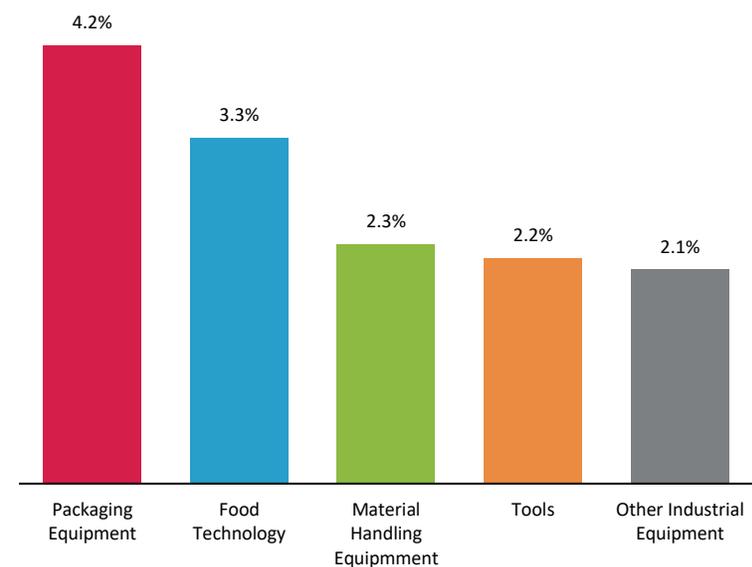
## EBITDA Margin

(Median CY2023E EBITDA margin for peer groups)



## Capex as a % of Sales

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



### EBIT Margin

15.5%    14.2%    15.9%    13.2%    12.0%

### OCF Conversion <sup>(1)</sup>

79.2%    73.9%    82.1%    90.4%    84.9%

Source: S&P Capital IQ as of 3/27/2023.

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 2023 suggests moderating revenue growth and increasing margins relative to 2022*

Company	Revenue Growth				EBITDA Growth				EBITDA Margin				Expansion / Contraction <sup>(1)</sup>	'22A Capex % of Sales
	2020A	2021A	2022A	2023E	2020A	2021A	2022A	2023E	2020A	2021A	2022A	2023E		
<b>Food Technology</b>	(8.6%)	9.0%	20.0%	7.2%	(6.6%)	16.5%	6.9%	28.6%	17.6%	16.4%	14.8%	16.9%	226 bps	3.3%
Alfa Laval	(10.9%)	(1.3%)	27.4%	15.0%	(8.3%)	(1.4%)	18.7%	21.6%	19.0%	19.0%	17.7%	18.7%	102 bps	3.6%
Dover	(6.3%)	18.3%	7.6%	3.3%	(5.0%)	26.8%	7.7%	8.3%	18.9%	20.2%	20.3%	21.2%	98 bps	2.6%
GEA	(5.0%)	1.5%	9.8%	5.8%	35.3%	38.4%	6.0%	40.4%	8.1%	11.0%	10.6%	14.1%	348 bps	3.9%
John Bean Technologies	(11.2%)	8.1%	15.9%	8.6%	(15.4%)	6.2%	1.0%	35.5%	14.0%	13.7%	12.0%	14.9%	297 bps	4.0%
Marel	(3.6%)	9.9%	25.6%	12.1%	(4.5%)	(7.5%)	(11.7%)	75.2%	16.2%	13.7%	9.6%	15.0%	541 bps	3.1%
Middleby	(15.1%)	29.3%	24.1%	2.9%	(23.5%)	42.5%	15.9%	10.7%	19.8%	21.8%	20.4%	22.0%	155 bps	1.7%
<b>Material Handling Equipment</b>	(4.8%)	10.0%	11.6%	8.4%	6.0%	8.2%	4.2%	26.3%	13.0%	13.0%	12.8%	15.2%	248 bps	2.3%
Columbus McKinnon	(21.9%)	28.6%	11.5%	1.7%	(43.0%)	36.0%	35.6%	15.6%	11.0%	11.6%	14.1%	16.1%	193 bps	1.4%
Daifuku	5.4%	5.3%	16.5%	10.4%	1.3%	3.8%	23.1%	6.5%	11.0%	10.8%	11.5%	11.1%	(40 bps)	2.2%
Interroll	(5.2%)	20.6%	3.8%	2.0%	24.9%	5.1%	5.6%	6.7%	20.9%	18.2%	18.5%	19.3%	86 bps	3.1%
Kardex	(12.4%)	10.3%	24.2%	6.5%	(9.2%)	5.2%	(3.7%)	37.1%	15.0%	14.3%	11.1%	14.3%	320 bps	2.5%
Konecranes	(4.4%)	0.2%	5.6%	10.5%	30.9%	11.2%	2.7%	47.0%	8.5%	9.4%	9.2%	12.2%	303 bps	1.3%
Tomra	6.4%	9.7%	11.7%	11.1%	10.8%	13.2%	(3.7%)	45.4%	17.6%	18.2%	15.7%	20.5%	485 bps	6.8%
<b>Packaging Equipment</b>	(0.2%)	13.5%	7.4%	11.6%	2.2%	8.9%	13.9%	19.8%	19.9%	19.2%	20.2%	21.3%	111 bps	4.2%
Krones	(16.5%)	14.6%	7.4%	11.6%	(49.5%)	134.7%	17.6%	19.8%	4.0%	8.1%	8.9%	9.5%	65 bps	1.7%
Sealed Air	(0.2%)	12.9%	2.0%	5.6%	16.3%	8.9%	7.5%	11.4%	19.9%	19.2%	20.2%	21.3%	111 bps	4.2%
SIG Combibloc	1.8%	13.5%	34.8%	20.5%	2.2%	6.9%	13.9%	40.9%	26.2%	24.6%	20.8%	24.3%	351 bps	10.8%
<b>Other Industrial Equipment</b>	(10.7%)	12.1%	14.9%	2.5%	(3.6%)	34.2%	10.8%	6.2%	16.0%	17.0%	17.4%	17.7%	65 bps	2.1%
Andritz	0.3%	(3.6%)	16.7%	8.5%	12.9%	43.3%	16.4%	20.0%	6.7%	9.9%	9.9%	10.9%	105 bps	2.1%
DMG Mori	(32.2%)	11.6%	15.4%	N/M	(55.4%)	50.5%	38.6%	N/M	6.3%	8.5%	10.2%	N/M	N/M	N/M
Dürr	(15.2%)	6.4%	22.0%	7.9%	(23.3%)	51.1%	12.7%	16.2%	6.4%	9.1%	8.4%	9.1%	65 bps	1.7%
Graco	0.2%	20.5%	7.8%	2.1%	1.9%	21.2%	10.2%	5.4%	28.9%	29.1%	29.7%	30.7%	96 bps	9.4%
Hillenbrand	(16.1%)	3.6%	10.7%	(6.2%)	57.1%	(3.5%)	8.8%	(5.6%)	19.2%	17.9%	17.6%	17.7%	11 bps	1.9%
Husqvarna	(0.8%)	12.2%	14.8%	(3.5%)	17.6%	20.7%	(8.9%)	13.0%	14.0%	15.0%	11.9%	14.0%	204 bps	2.6%
Kadant	(9.9%)	23.9%	15.0%	0.8%	(6.0%)	37.6%	17.3%	0.9%	18.2%	20.3%	20.7%	20.7%	1 bps	3.1%
Lincoln Electric	(11.6%)	21.8%	16.3%	11.4%	(12.1%)	35.0%	26.4%	13.4%	15.5%	17.1%	18.6%	19.0%	34 bps	1.9%
Nordson	(1.8%)	13.6%	6.0%	2.5%	(1.3%)	32.8%	(0.4%)	6.1%	26.6%	31.1%	29.2%	30.2%	101 bps	1.9%
OC Oerlikon	(12.9%)	17.3%	9.8%	(1.4%)	(21.3%)	55.2%	11.4%	(5.6%)	12.8%	16.9%	17.1%	16.4%	(74 bps)	2.8%
Otis	(2.8%)	12.1%	(4.3%)	3.1%	(1.1%)	12.6%	(3.6%)	6.2%	16.5%	16.6%	16.7%	17.2%	49 bps	0.8%
Sandvik	(16.3%)	(0.8%)	31.1%	6.2%	(25.2%)	33.4%	9.4%	23.4%	19.0%	25.6%	21.4%	24.8%	347 bps	3.2%
<b>Tools</b>	(3.1%)	16.7%	8.2%	(0.9%)	1.2%	26.1%	8.1%	3.8%	20.0%	16.4%	15.0%	19.9%	102 bps	2.2%
Enerpac	(27.5%)	15.9%	7.3%	N/M	(48.9%)	63.2%	11.6%	N/M	10.2%	14.4%	15.0%	N/M	N/M	1.4%
Fortive	1.9%	13.4%	10.9%	3.7%	1.2%	29.2%	21.8%	8.4%	20.5%	23.3%	25.6%	26.8%	117 bps	1.6%
Illinois Tool Works	(14.3%)	15.0%	10.2%	2.3%	(13.8%)	17.7%	8.5%	5.6%	26.4%	27.0%	26.6%	27.5%	87 bps	2.6%
Makita	12.8%	27.4%	8.2%	(7.0%)	14.4%	22.4%	(39.2%)	(19.0%)	16.9%	16.2%	9.1%	7.9%	(117 bps)	5.9%
Snap-on	(3.1%)	16.7%	5.2%	(4.7%)	(7.3%)	26.1%	8.1%	2.0%	24.8%	26.8%	27.5%	29.4%	193 bps	1.7%
Stanley Black & Decker	(4.0%)	19.9%	10.9%	(4.1%)	20.1%	(1.5%)	(38.7%)	(26.1%)	20.0%	16.4%	9.1%	7.0%	(208 bps)	3.1%
Techtronic Industries	28.0%	34.6%	0.4%	4.6%	26.3%	33.1%	0.6%	30.3%	10.5%	10.4%	10.4%	13.0%	256 bps	N/A
<b>Mean</b>	(6.6%)	13.6%	13.0%	4.8%	(3.0%)	26.8%	7.3%	16.1%	16.2%	17.2%	16.3%	18.0%	146 bps	3.1%
<b>Median</b>	(5.1%)	13.5%	10.9%	4.2%	(2.9%)	24.2%	8.7%	12.2%	16.7%	16.7%	16.2%	17.5%	103 bps	2.6%

Source: S&P Capital IQ as of 3/27/2023.

(1) 2023E EBITDA Margin compared to 2022A EBITDA Margin.

# Individual Company Performance Relative to Expectations

*Most companies beat estimates in Q4 2022, but performance was mixed across industrial equipment sub-sectors*

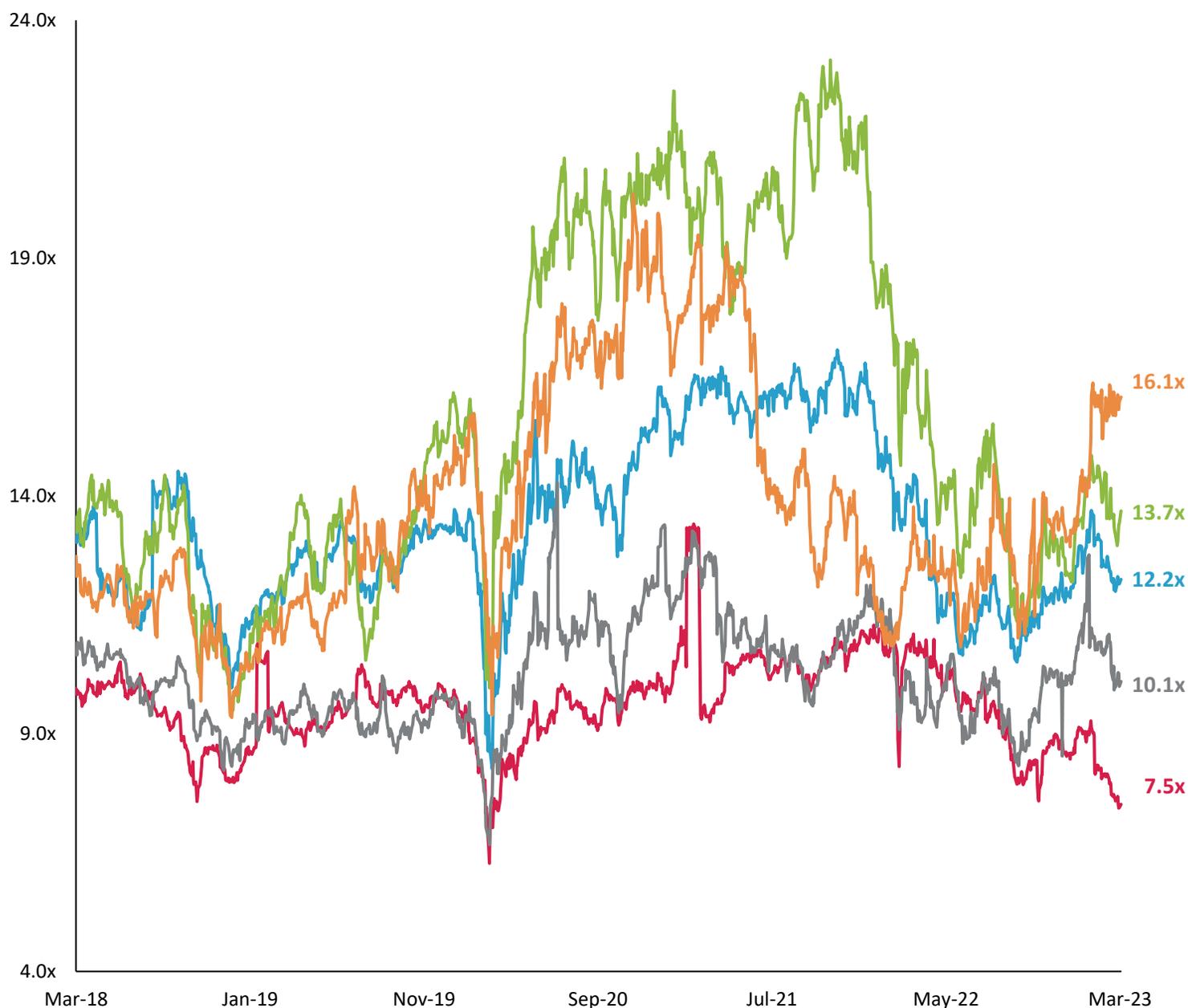
Company	Q4 2022 Estimate Beats / (Misses)		
	Revenue	EBITDA	EPS
<b>Food Technology</b>	<b>1.6%</b>	<b>2.5%</b>	<b>5.9%</b>
Alfa Laval	8.2%	2.5%	N/A
Dover	0.9%	(7.5%)	0.5%
GEA	1.2%	6.1%	52.4%
John Bean Technologies	(0.1%)	2.5%	6.4%
Marel	5.5%	N/A	N/A
Middleby	2.0%	3.1%	5.3%
<b>Material Handling Equipment</b>	<b>3.7%</b>	<b>3.6%</b>	<b>10.6%</b>
Columbus McKinnon	0.8%	(0.4%)	18.0%
Daifuku	5.0%	N/A	3.2%
Interroll	N/A	N/A	N/A
Kardex	N/A	N/A	N/A
Konecranes	2.5%	3.6%	(22.6%)
Tomra	9.2%	10.8%	19.4%
<b>Packaging Equipment</b>	<b>5.5%</b>	<b>(1.4%)</b>	<b>41.7%</b>
Krones	8.7%	5.8%	82.4%
Sealed Air	(3.4%)	(1.4%)	1.0%
SIG Combibloc	5.5%	(10.7%)	N/A
<b>Other Industrial Equipment</b>	<b>1.0%</b>	<b>0.4%</b>	<b>2.1%</b>
Andritz	11.2%	16.7%	18.9%
DMG Mori	N/A	N/A	N/A
Dürr	10.1%	29.0%	N/A
Graco	0.1%	4.1%	5.8%
Hillenbrand	(15.6%)	(21.5%)	(23.1%)
Husqvarna	12.3%	N/A	N/A
Kadant	5.9%	15.3%	15.3%
Lincoln Electric	0.7%	(1.8%)	2.1%
Nordson	(2.2%)	(0.1%)	(1.0%)
OC Oerlikon	(4.8%)	(2.3%)	N/A
Otis	1.0%	0.8%	N/A
Sandvik	2.6%	(0.2%)	(5.3%)
<b>Tools</b>	<b>2.1%</b>	<b>7.5%</b>	<b>4.5%</b>
Enerpac	2.4%	16.6%	37.0%
Fortive	1.9%	2.6%	4.8%
Illinois Tool Works	1.8%	N/A	(7.5%)
Makita	4.8%	N/A	(67.1%)
Snap-on	0.1%	0.2%	4.5%
Stanley Black & Decker	2.7%	12.3%	N/A
Techtronic Industries	N/A	N/A	N/A
<b>Mean</b>	<b>2.7%</b>	<b>3.5%</b>	<b>6.8%</b>
<b>Median</b>	<b>2.2%</b>	<b>2.5%</b>	<b>4.6%</b>

# Industrial Equipment Valuation Dynamics

*Current public market valuations are well off peak 2023 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	12.2x	Δ	Current	13.7x	Δ	Current	7.5x	Δ	Current	10.1x	Δ	Current	16.1x	Δ
1-year	11.9x	0.4x	1-year	13.5x	0.2x	1-year	9.0x	(1.5x)	1-year	10.0x	0.1x	1-year	13.0x	3.0x
5-year	13.1x	(0.9x)	5-year	14.3x	(0.7x)	5-year	9.7x	(2.1x)	5-year	10.1x	0.0x	5-year	13.1x	2.9x



Source: S&P Capital IQ as of 3/27/2023.

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 3/27/2023.

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 12.7x 2023E EBITDA and 11.4x 2024P EBITDA

Company	Market Cap. (\$ m)	EV (\$ m)	EV / EBITDA		EV / EBIT		P / E		Net Debt / EBITDA
			2023E	2024P	2023E	2024P	2023E	2024P	2022A
<b>Food Technology</b>			<b>12.6x</b>	<b>11.0x</b>	<b>16.1x</b>	<b>14.0x</b>	<b>18.7x</b>	<b>16.5x</b>	<b>3.2x</b>
Alfa Laval	\$13,952	\$16,056	14.7x	13.8x	18.8x	17.3x	22.1x	20.0x	1.4x
Dover	19,955	24,553	13.1	12.3	15.9	14.7	15.9	14.5	2.0
GEA	8,381	7,919	9.4	9.0	12.7	12.1	17.8	17.0	N/A
John Bean Technologies	3,332	4,402	12.5	11.4	18.4	15.9	19.7	16.9	3.7
Marel	3,014	4,024	12.8	10.4	16.4	13.4	23.0	16.0	5.0
Middleby	7,390	10,493	11.5	10.7	13.8	12.7	14.1	12.7	3.2
<b>Material Handling Equipment</b>			<b>14.6x</b>	<b>13.3x</b>	<b>16.7x</b>	<b>15.1x</b>	<b>23.4x</b>	<b>20.9x</b>	<b>2.2x</b>
Columbus McKinnon	\$1,017	\$1,476	9.6x	8.8x	13.3x	12.0x	12.5x	10.7x	3.2x
Daifuku	6,895	6,734	12.6	11.7	14.0	13.3	20.4	19.0	N/A
Interroll	2,804	2,880	19.9	17.9	25.1	22.3	31.9	28.3	N/A
Kardex	1,545	1,571	16.7	15.0	19.3	16.9	26.3	22.8	N/A
Konecranes	2,598	3,523	7.1	6.6	9.3	8.7	10.3	9.7	2.2
Tomra	4,847	5,151	19.1	16.4	29.2	24.1	38.7	31.5	1.5
<b>Packaging Equipment</b>			<b>7.8x</b>	<b>7.3x</b>	<b>9.9x</b>	<b>9.1x</b>	<b>15.3x</b>	<b>12.9x</b>	<b>3.3x</b>
Krones	3,767	2,984	6.2x	5.5x	9.0x	7.7x	15.3x	12.9x	N/A
Sealed Air	6,251	9,900	7.8	7.3	9.9	9.1	11.8	10.3	2.9x
SIG Combibloc	9,761	12,142	13.6	12.5	21.4	19.8	25.9	24.3	3.8
<b>Other Industrial Equipment</b>			<b>10.7x</b>	<b>11.5x</b>	<b>15.3x</b>	<b>13.0x</b>	<b>17.3x</b>	<b>15.9x</b>	<b>1.5x</b>
Andritz	\$6,921	\$5,891	6.0x	5.7x	8.3x	7.8x	12.3x	11.8x	N/A
DMG Mori	3,680	3,565	N/A						
Dürr	2,418	2,501	5.4	4.9	7.3	6.6	11.4	9.9	0.1x
Graco	11,743	11,947	17.8	16.8	20.1	19.0	25.2	23.7	N/A
Hillenbrand	3,134	5,046	10.0	N/A	12.9	12.9x	13.4	N/A	3.4
Husqvarna	4,613	6,689	9.5	8.2	15.7	12.8	17.3	13.5	2.7
Kadant	2,315	2,529	13.4	12.7	16.4	15.5	22.0	20.7	0.8
Lincoln Electric	9,347	10,794	13.6	13.0	15.3	14.6	18.6	17.5	1.5
Nordson	12,161	13,640	17.0	15.8	19.3	17.9	23.3	21.3	1.4
OC Oerlikon	1,796	2,373	4.6	4.6	8.7	8.3	10.9	11.0	0.9
Otis	33,600	41,159	16.9	15.9	18.4	17.2	23.5	21.3	2.6
Sandvik	24,751	30,773	10.7	10.2	13.8	13.0	15.3	14.4	1.7
<b>Tools</b>			<b>16.7x</b>	<b>11.6x</b>	<b>21.8x</b>	<b>15.9x</b>	<b>22.0x</b>	<b>16.4x</b>	<b>1.6x</b>
Enerpac	\$1,496	\$1,542	N/A	N/A	N/A	N/A	N/A	N/A	1.0x
Fortive	23,293	26,664	16.5	15.4	23.3	21.2	19.7	18.1	1.8
Illinois Tool Works	70,917	81,734	18.2	17.5	20.3	19.3	24.3	22.6	1.7
Makita	6,738	7,338	17.0	12.3	41.6	17.3	36.5	22.7	0.7
Snap-on	12,591	13,634	10.0	9.6	10.7	10.3	14.0	13.4	0.4
Stanley Black & Decker	11,696	19,663	17.3	9.5	24.6	12.1	82.0	14.6	4.9
Techtronic Industries	19,681	22,248	12.3	10.8	17.1	14.6	16.6	14.1	1.6
<b>Mean</b>			<b>12.6x</b>	<b>11.4x</b>	<b>16.9x</b>	<b>14.4x</b>	<b>21.6x</b>	<b>17.3x</b>	<b>2.2x</b>
<b>Median</b>			<b>12.7x</b>	<b>11.4x</b>	<b>16.1x</b>	<b>14.0x</b>	<b>19.1x</b>	<b>16.9x</b>	<b>1.8x</b>

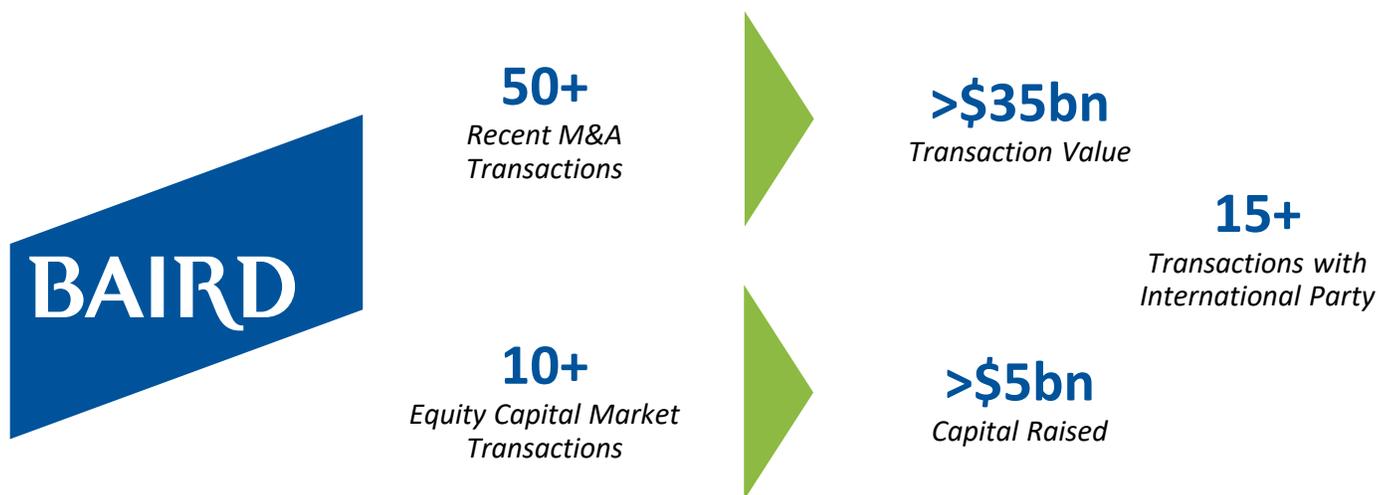
Source: S&P Capital IQ as of 3/27/2023.

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 M&A



**Alex Carver**  
Vice President

## Equity Research Coverage



**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



**Robert Mason**  
Sr. Research Analyst,  
Advanced Industrial  
Equipment



- ✓ 15+ years of experience as an Advanced Industrial Equipment research analyst
- ✓ 300+ research documents published over the last 12 months



**Mike Halloran**  
Sr. Research Analyst,  
Process Controls



- ✓ 15+ years of experience as a Process Controls research analyst
- ✓ 400+ research documents published over the last 12 months

Note: Transactions since 2010.

# Baird's Recent Industrial Equipment Experience

Pending



*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*



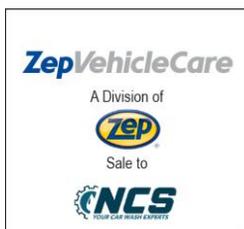
*Food processing equipment and aftermarket solutions*



*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*



*Car wash equipment, chemicals, parts and service*



*Engineered steel platforms for industrial automation*

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