



BAIRD

INDUSTRIAL EQUIPMENT SECTOR UPDATE

September 2023

Baird's Industrial Equipment Update

After experiencing a slower start in 2023, industrial equipment sector performance has increasing momentum as the macroeconomic backdrop improves

Industrial Equipment Update

■ Macroeconomic Environment

- Despite an improving macroeconomic backdrop, overall economic trajectory and recession risk continue to be an overhang on industrial equipment sector performance
- Elevated interest rates and continued economic uncertainty driving equipment manufacturers to prioritize organic growth / cost initiatives
- Supply chains continue to normalize, with remaining issues expected to ease throughout 2023-2024 while manufacturers further enhance resilience through reshoring and diversification

■ Public Market Backdrop

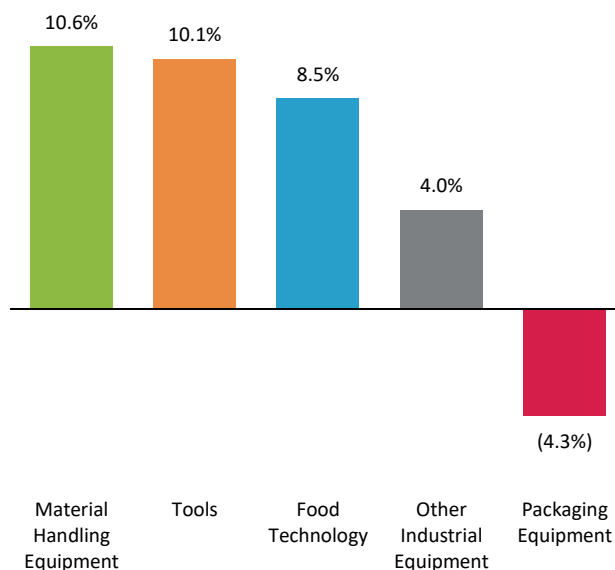
- Stocks continue to face headwinds from fed policy, shrinking market liquidity and slower economic growth, albeit with a watchfully optimistic view
- Investors increasingly favoring industrial equipment stocks with demonstrated pricing power and demand inelasticity; “flight to quality” is the main theme in relative positioning
- Investors continue to be cautious in their forward outlook but see relative strength in companies with greater backlog visibility

■ M&A Environment

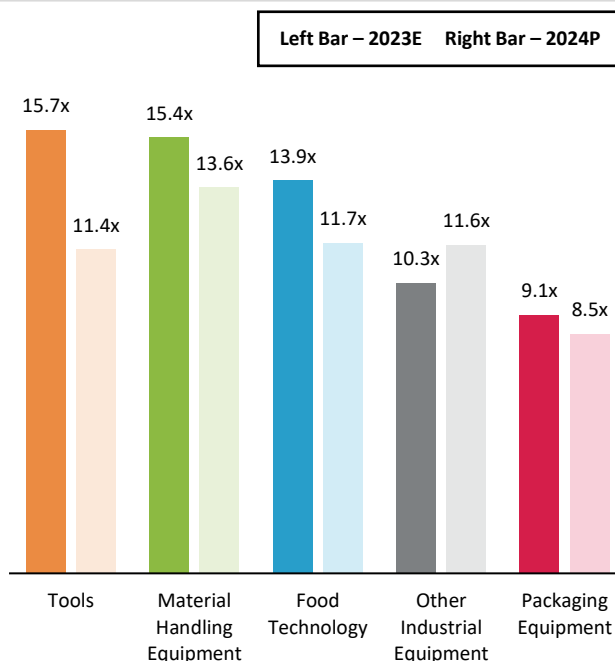
- M&A market participants entered H2 2023 searching for signs of improvement in transaction activity after difficult market conditions resulted in fewer closed transactions during H1 2023
- Strong potential for a rebound in M&A activity during H2 2023 and into 2024 pending improving clarity on the economic outlook
- Although still costlier than a year ago, ample financing remains available for M&A, with credit market volatility experienced earlier in the year potentially in the rear view mirror

Sector Trading Update

2023 YTD Share Price Performance



2023E and 2024P 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*



"2Q23 EPS and EBITDA beat consensus, revenue in line in what was a noisy quarter given multiple moving pieces with the sale of AeroTech now complete. Strong margin and a double-digit year/year increase in orders were encouraging. Strength across multiple higher-growth verticals (pharma, nutrition, AGVs) showcased the potential of JBT's diversified portfolio; we remain encouraged by the long-term opportunity for JBT as a pure play food processing equipment OEM."

- Research note on 08/11/23



"The quarter was essentially in line with guidance reiterated, not quite enough to clear the bar as expectations crept higher over the past couple of months. Management noted good demand / volume into 3Q23 with pricing moderating as prior-year increases are lapped. Going forward, we see potential for additional margin upside in 2H23 and while we do model softer volumes in 2024, Automation and EV charging could both provide incremental upside relative to our forecast."

- Research note on 07/23/23



"We remain focused on the long-term opportunity with MIDD execution notable on all fronts and the company remaining well positioned to capitalize on emerging kitchen automation demand...Residential remains a challenge but signs of bottom are emerging, destocking remains a factor for Residential and CFS. These headwinds are more than offset by solid margin expansion in CFS and growth in FP. Overall, print is better than we expected, we are incrementally positive and continue to see good value in the stock at current levels."

- Research note on 08/03/23



"We reiterate Parker as our top through-cycle diversified industrial pick. FY23 ended with a solid beat; however, the more important item we learned from the quarter / FY24 guidance is that PH is increasingly able to navigate through Industrial short-cycle softness aided by margin expansion and Aerospace growth. As Parker transforms the portfolio toward longer-cycle businesses, we see opportunity for shares to re-rate higher."

- Research note on 08/03/23



"Q2 results were operationally ahead of internal/external plans, with core Tools EBIT posting upside vs. consensus. Cost savings measures are tracking ahead of plan, offsetting weaker end-market assumptions and reflected in management narrowing EPS / FCF guidance around prior midpoints for 2023. High-level 2024 guidance also reiterated (with macro/investment cadence key variables). Overall, while turnaround efforts are multi-year in nature, signs of internal progress are encouraging."

- Research note on 08/01/23

* 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.

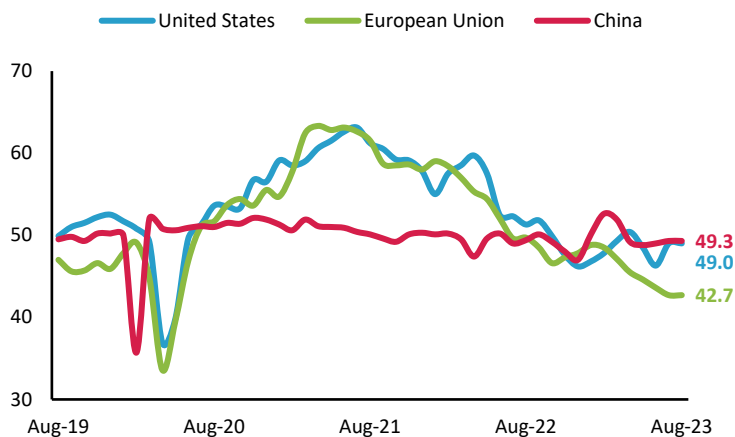
Note: The above excerpts from Baird Equity Research reports were from the current quarterly earnings reports as of the preparation of this report, but may not be the most current reports available.

Industrial Equipment Market Backdrop

The global production environment remains stable thus far in 2023

Manufacturing Purchasing Manager's Index

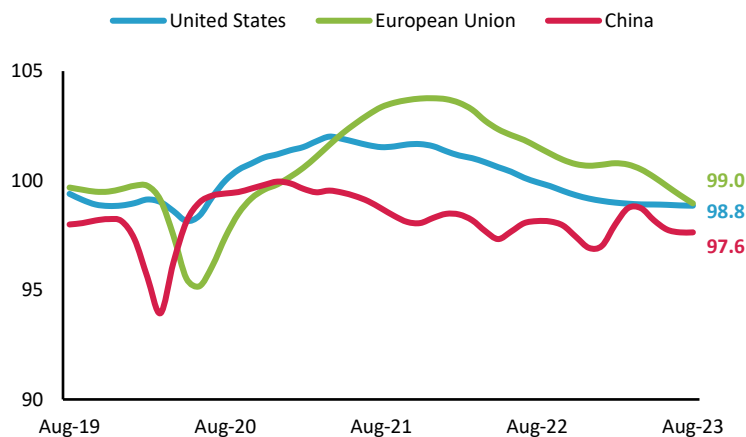
(50 equals no change)



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

Business Manager Confidence

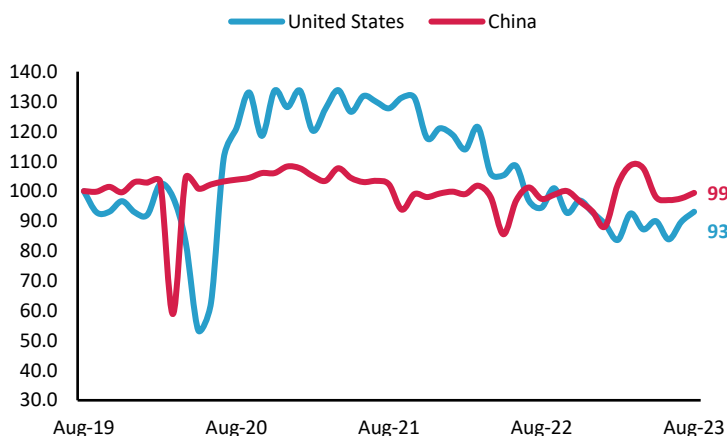
(Index equals 100)



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

Manufacturing New Orders (1)

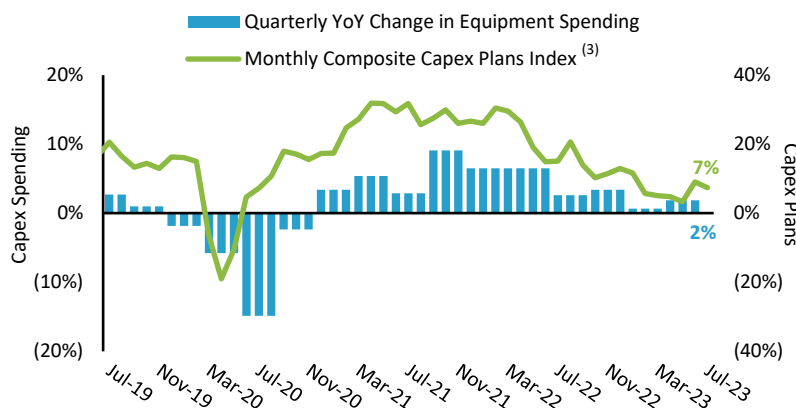
(Index equals 100)



New order activity in the U.S. starting to stabilize and improve following softening conditions seen in 2021-2022

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 has ticked up in recent months as macroeconomic conditions and credit availability improved, supporting a positive near-term outlook

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 8/28/2023.

(1) Data indexed to 100 for comparison purposes.

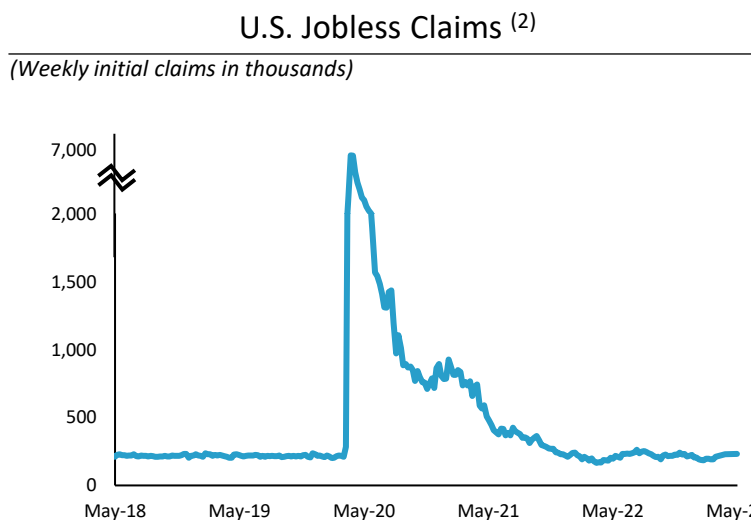
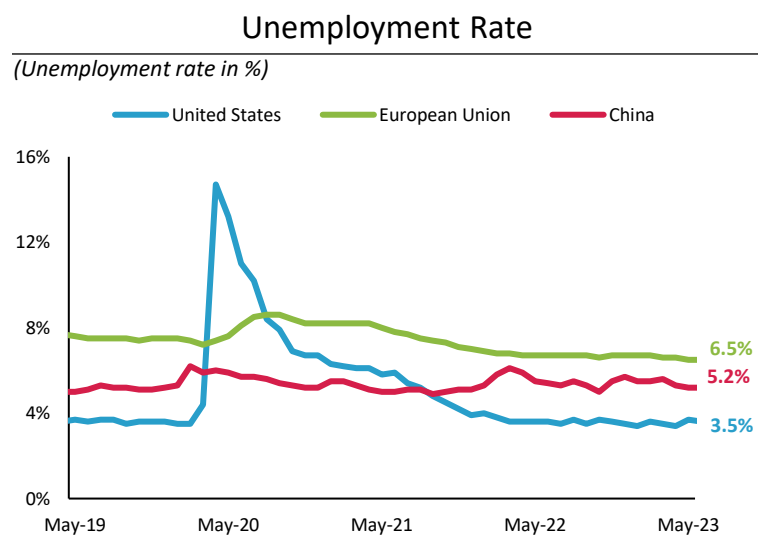
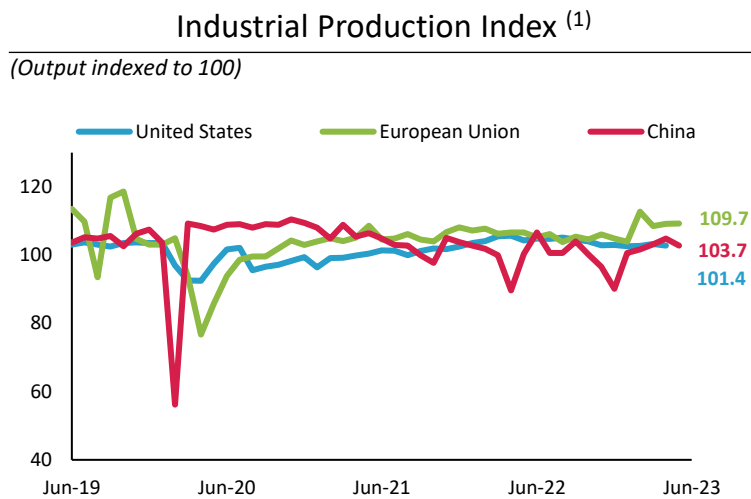
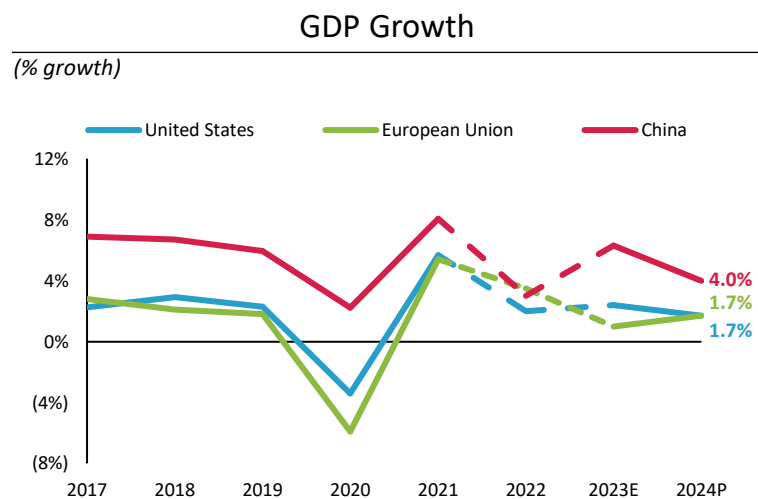
(2) Corresponding data not available for China and Europe.

(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



In The News

Recent Headlines & Notable Events

- **8/29:** Demand for Workers Cools, but Remains Elevated ([LINK](#))
- **8/29:** Where Peak-Season Shipping Is Headed, In Charts ([LINK](#))
- **8/25:** Powell Says Fed Will ‘Proceed Carefully’ on Further Rate Rises ([LINK](#))
- **8/7:** Rising Oil Prices Are Bad News for Drivers – and the Fed ([LINK](#))

Upcoming Trade Shows

- **FABTECH 2023**
Chicago, IL (9/10/2023 – 9/14/2023)
- **The Utility Expo 2023**
Louisville, KY (9/26/2023 – 9/28/2023)
- **Advanced Manufacturing Minneapolis 2023**
Minneapolis, MN (10/10/2023 – 10/11/2023)
- **Baird Global Industrial Conference 2023**
Chicago, IL (11/7/2023 – 11/9/2023)

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.

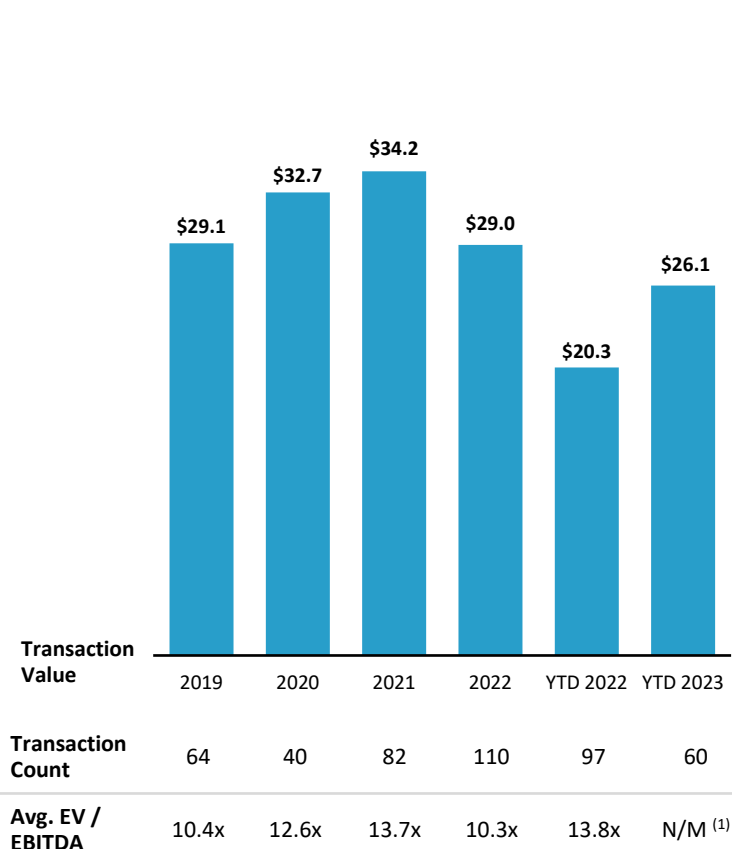
M&A and Financing Market Update

M&A and financing markets have remained challenged, but are poised for increasing activity in H2 2023 and into 2024

M&A Market Update

Industrial Equipment M&A Activity

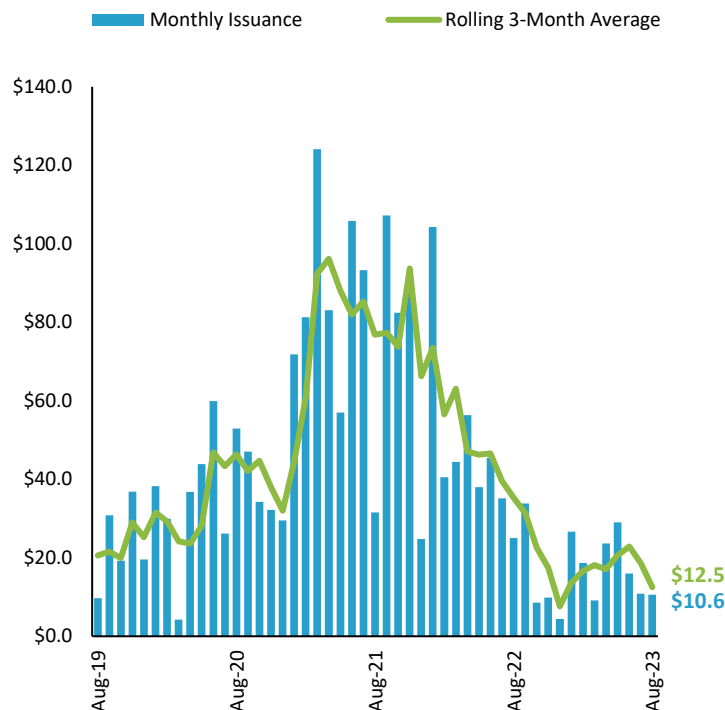
(\$ in billions)



Financing Market Update

Global High-Yield Loan Volume

(monthly; \$ in billions)



- Relatively weak M&A market activity in Q2 2023, reflecting the impact of economic uncertainty and higher financing costs
- 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 as a result of a strong flight to quality
- Optimism for M&A activity to strengthen before year-end given stabilization of financing markets and improving macroeconomic backdrop

- Financing markets have stabilized relative to Q4 2022 and Q1 2023, led by private credit activity, and more recently, by a strengthening syndicated market
- Positive fundamentals for direct lenders include a solid pace of transactions in Q2, increased prominence of junior capital and substantial dry powder across fund types
- Across markets during H1 2023, rising interest rates hindered free cash flow and fixed charge coverage ratios, with resultant declines in maximum supportable leverage levels
- Credit availability should continue to broaden in the coming months with anticipated fed policy easing

Source: S&P Capital IQ, S&P LCD and Dealogic as of 8/28/2023.

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 in the YTD 2023 period.

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	Acquiror	Target Description	Enterprise		
				Value	Sales	EV / EBITDA
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
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	Ardian	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	Coolt 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	4.2x	13.0x
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
1/29/2023	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	1.3	N/A
1/20/2023	ABB (Power Conversion Business)	AcBel Polytech	Manufacturer of electricity grids, low voltage products, power products and system	505	1.1	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 assembles 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	Filtec	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 affiliate)	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	1,000	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	Hillensbrand Inc	Designs, manufactures and supplies food preparation equipments	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	650	N/A	N/A
6/2/2022	Worthington Industries	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 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	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
11/3/2021	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 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	F	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	Fervi S.p.A.	Manufactures fastening systems, tools and machines for sheet metal assembly	21	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	Major Tool & Machine	Precinmac Precision Machining	Manufactures hardware for aerospace, power generation and industrial markets	N/A	N/A	N/A
9/1/2021	NCC Automated Systems	ATS Automation Tooling Systems	Manufactures automation systems and conveyance products	40	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

Average	3.0x	14.4x
Median	2.7x	14.3x

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, but have picked up momentum in 2023 with several subsectors outperforming the broader market

Share Price Performance

Food Technology		Material Handling Equipment		Packaging Equipment		Other Industrial Equipment		Tools		S&P 500	
YTD	8.5%	YTD	10.6%	YTD	(4.3%)	YTD	4.0%	YTD	10.1%	YTD	15.9%
1-Year	8.2%	1-Year	11.5%	1-Year	1.0%	1-Year	13.0%	1-Year	13.6%	1-Year	10.0%
5-Year	19.0%	5-Year	11.7%	5-Year	23.6%	5-Year	19.4%	5-Year	13.3%	5-Year	52.1%



Source: S&P Capital IQ as of 8/28/2023.

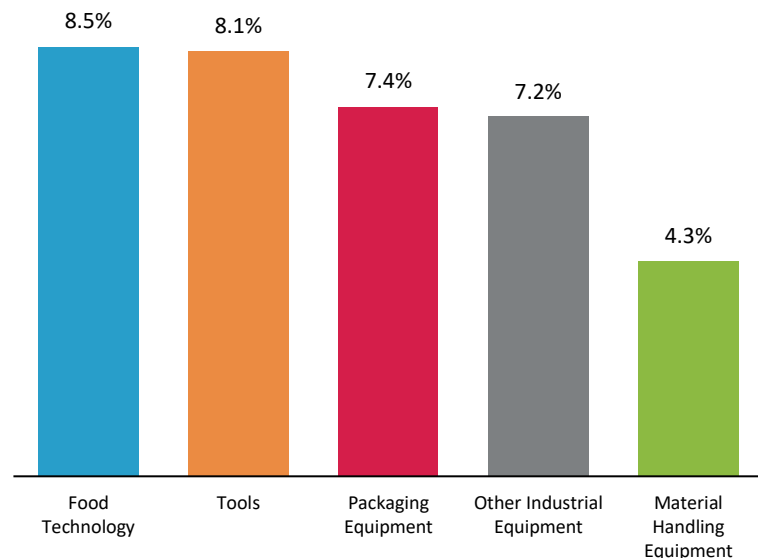
Note: Indices calculated as an unweighted average. See page 9 for index constituents. Shading in table corresponds to categories in the charts below.

Sector Financial Metrics Snapshot

Summary of key financial metrics across the Industrial Equipment sector

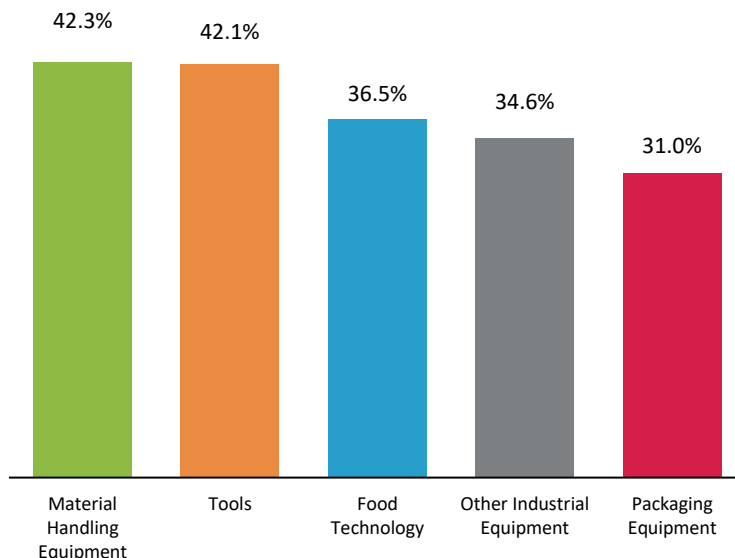
3-Year Revenue CAGR

(Median CY2020A - CY2023E revenue CAGR for peer groups)



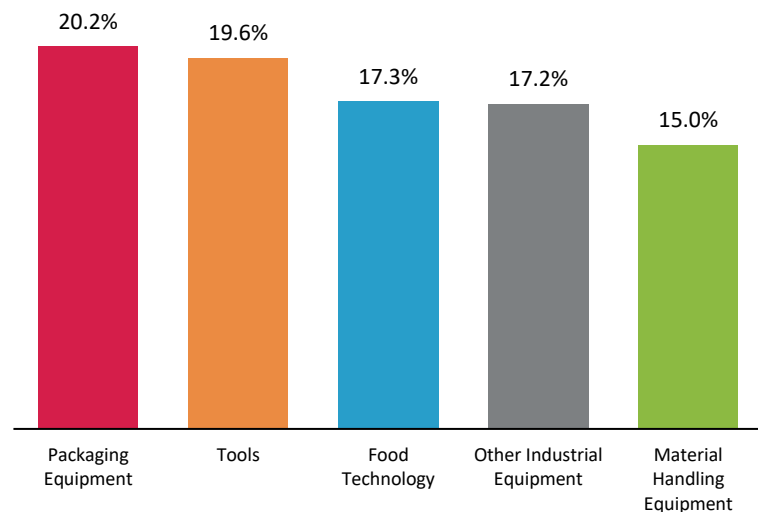
Gross Margin

(Median CY2023E gross margin for peer groups)



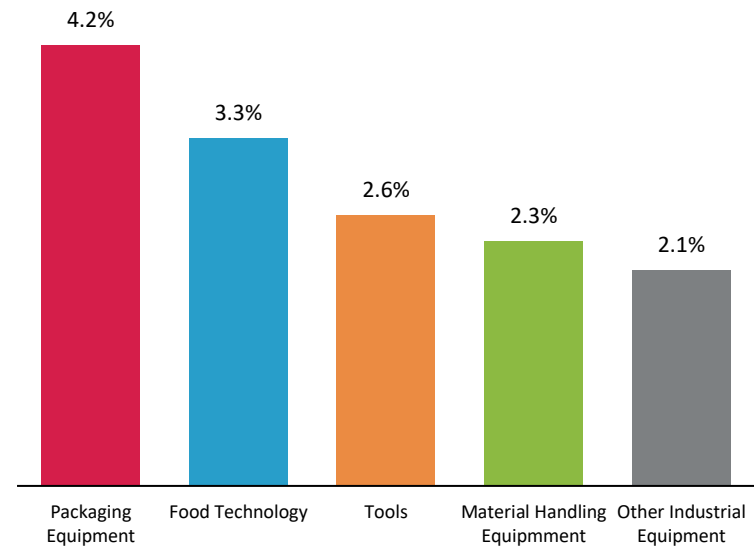
EBITDA Margin

(Median CY2023E EBITDA margin for peer groups)



Capex as a % of Sales

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



EBIT Margin

14.9% 14.1% 15.9% 13.0% 11.6%

OCF Conversion ⁽¹⁾

79.2% 73.7% 82.1% 90.3% 84.9%

Source: S&P Capital IQ as of 8/28/2023.

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 ⁽¹⁾	'22A Capex % of Sales
	2020A	2021A	2022A	2023E	2020A	2021A	2022A	2023E	2020A	2021A	2022A	2023E		
Food Technology	(2.5%)	7.8%	11.9%	5.7%	(0.5%)	18.1%	4.2%	17.4%	19.0%	18.7%	17.8%	17.3%	148 bps	3.3%
Alfa Laval	1.4%	(10.4%)	10.5%	14.7%	4.4%	(10.4%)	0.7%	24.0%	19.0%	19.0%	17.3%	18.7%	140 bps	3.6%
Dover	(6.3%)	18.3%	7.6%	2.6%	(5.0%)	26.8%	7.7%	7.9%	18.9%	20.2%	20.3%	21.3%	104 bps	2.6%
GEA	3.5%	(5.7%)	3.2%	7.1%	47.5%	28.6%	(0.4%)	43.1%	8.1%	11.0%	10.6%	14.2%	358 bps	3.9%
John Bean Technologies	(7.1%)	13.4%	13.4%	7.1%	(8.0%)	9.3%	12.4%	(7.1%)	19.1%	18.4%	18.2%	15.8%	(241 bps)	5.5%
Marel	5.1%	2.2%	18.0%	4.4%	4.1%	(14.0%)	(17.0%)	35.4%	16.2%	13.7%	9.6%	12.5%	286 bps	3.1%
Middleby	(15.1%)	29.3%	24.1%	2.9%	(23.5%)	42.5%	15.9%	10.8%	19.8%	21.8%	20.4%	22.0%	156 bps	1.7%
Material Handling Equipme	4.0%	4.7%	2.0%	7.7%	10.1%	2.7%	0.3%	24.7%	13.0%	13.0%	12.8%	15.0%	235 bps	2.3%
Columbus McKinnon	(21.9%)	28.6%	11.5%	6.2%	(43.0%)	36.0%	35.6%	16.5%	11.0%	11.6%	14.1%	15.5%	138 bps	1.4%
Daifuku	11.0%	(5.6%)	1.7%	(5.9%)	6.6%	(7.0%)	7.5%	(11.7%)	11.0%	10.8%	11.5%	10.7%	(71 bps)	2.2%
Interroll	3.8%	17.1%	2.3%	(7.9%)	36.7%	2.0%	4.1%	(5.8%)	20.9%	18.2%	18.5%	18.9%	43 bps	3.1%
Kardex	(4.5%)	2.6%	16.7%	18.3%	(1.1%)	(2.2%)	(9.5%)	53.7%	15.0%	14.3%	11.1%	14.4%	333 bps	2.5%
Konecranes	4.2%	(6.8%)	(0.7%)	17.3%	42.7%	3.4%	(3.5%)	64.1%	8.5%	9.4%	9.2%	12.8%	365 bps	1.3%
Tomra	9.1%	6.8%	(0.1%)	9.3%	13.6%	10.1%	(13.9%)	32.8%	17.6%	18.2%	15.7%	19.1%	338 bps	6.8%
Packaging Equipment	(0.2%)	5.5%	5.4%	15.0%	11.4%	8.9%	7.5%	23.7%	19.9%	19.2%	20.2%	20.2%	67 bps	4.2%
Krones	(8.9%)	2.1%	5.4%	15.0%	(45.0%)	118.2%	10.5%	23.7%	4.0%	8.5%	8.9%	9.6%	67 bps	1.7%
Sealed Air	(0.2%)	12.9%	2.0%	(2.3%)	16.3%	8.9%	7.5%	(2.3%)	19.9%	19.2%	20.2%	20.2%	(0 bps)	4.2%
SIG Combibloc	11.0%	5.5%	26.7%	20.3%	11.4%	(0.6%)	7.0%	43.7%	26.2%	24.6%	20.8%	24.9%	405 bps	10.8%
Other Industrial Equipment	(4.7%)	11.5%	9.1%	3.5%	(3.6%)	33.0%	9.6%	11.8%	16.0%	16.7%	17.3%	17.2%	56 bps	2.1%
Andritz	9.4%	(10.3%)	9.7%	9.9%	23.0%	33.2%	9.4%	19.3%	6.7%	9.9%	9.9%	10.7%	84 bps	2.1%
DMG Mori	(26.1%)	3.8%	8.4%	N/M	(51.4%)	34.8%	35.2%	N/M	6.3%	8.2%	10.2%	N/M	N/M	N/M
Dürr	(7.6%)	(1.1%)	14.6%	9.2%	(16.4%)	40.5%	5.9%	11.8%	6.4%	9.1%	8.4%	8.6%	20 bps	1.7%
Graco	0.2%	20.5%	7.8%	3.5%	1.9%	21.2%	10.2%	11.9%	28.9%	29.1%	29.7%	32.2%	241 bps	9.4%
Hillenbrand	(19.5%)	10.9%	24.5%	(10.9%)	54.9%	9.7%	31.0%	(12.1%)	16.7%	16.6%	17.4%	17.2%	(24 bps)	1.8%
Husqvarna	12.9%	1.9%	(0.4%)	(3.3%)	33.8%	9.7%	(21.0%)	21.1%	14.0%	15.0%	11.9%	14.9%	300 bps	2.6%
Kadant	(9.9%)	23.9%	15.0%	3.7%	(6.0%)	37.6%	17.3%	2.7%	18.2%	20.3%	20.7%	20.4%	(21 bps)	3.1%
Lincoln Electric	(11.6%)	21.8%	16.3%	11.9%	(12.1%)	35.0%	26.4%	15.3%	15.5%	17.1%	18.6%	19.2%	56 bps	1.9%
Nordson	(1.8%)	13.6%	6.0%	2.8%	(1.3%)	32.8%	(0.4%)	9.9%	26.6%	31.1%	29.2%	31.2%	202 bps	1.9%
OC Oerlikon	(4.7%)	13.9%	8.3%	(1.0%)	(13.9%)	50.6%	9.8%	(10.9%)	12.8%	16.9%	17.1%	15.4%	(173 bps)	2.8%
Otis	(2.8%)	12.1%	(4.3%)	3.4%	(1.1%)	12.6%	(3.6%)	5.9%	16.5%	16.6%	16.7%	17.1%	41 bps	0.8%
Sandvik	(4.8%)	(9.9%)	13.7%	6.0%	(14.9%)	21.2%	(5.1%)	20.5%	19.0%	25.6%	21.4%	24.3%	292 bps	3.2%
Tools	(3.1%)	15.9%	7.3%	(0.4%)	1.2%	26.1%	8.1%	5.4%	20.4%	16.2%	15.0%	19.6%	111 bps	2.6%
Enerpac	(27.5%)	15.9%	7.3%	N/A	(48.9%)	63.2%	11.6%	N/A	10.2%	14.4%	15.0%	N/A	N/A	1.4%
Fortive	1.9%	13.4%	10.9%	4.7%	1.2%	29.2%	21.8%	11.2%	20.5%	23.3%	25.6%	27.2%	159 bps	1.6%
Illinois Tool Works	(14.3%)	15.0%	10.2%	2.4%	(13.8%)	17.7%	8.5%	5.6%	26.4%	27.0%	26.6%	27.4%	83 bps	2.6%
Makita	18.8%	14.2%	(5.5%)	(14.7%)	20.5%	9.7%	(46.9%)	(4.9%)	16.9%	16.2%	9.1%	10.2%	105 bps	5.9%
Snap-on	(3.1%)	16.7%	5.2%	(2.8%)	(7.3%)	26.1%	8.1%	5.1%	24.8%	26.8%	27.5%	29.7%	224 bps	1.7%
Stanley Black & Decker	(4.0%)	19.9%	10.9%	(5.6%)	22.7%	(5.7%)	(37.4%)	(15.3%)	20.4%	16.0%	9.1%	8.1%	(93 bps)	3.1%
Techtronic Industries	28.0%	34.6%	0.4%	2.1%	26.3%	33.1%	4.4%	13.1%	10.5%	10.4%	10.8%	12.0%	118 bps	4.4%
Mean	(2.4%)	10.0%	8.9%	4.1%	1.6%	22.5%	4.4%	13.7%	16.2%	17.3%	16.5%	18.0%	126 bps	3.2%
Median	(2.9%)	13.1%	8.3%	3.6%	0.1%	21.2%	7.5%	11.5%	16.8%	16.7%	16.9%	17.2%	111 bps	2.6%

Source: S&P Capital IQ as of 8/28/2023.

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

Individual Company Performance Relative to Expectations

Most companies beat estimates in Q2 2023, but performance was mixed across industrial equipment sub-sectors

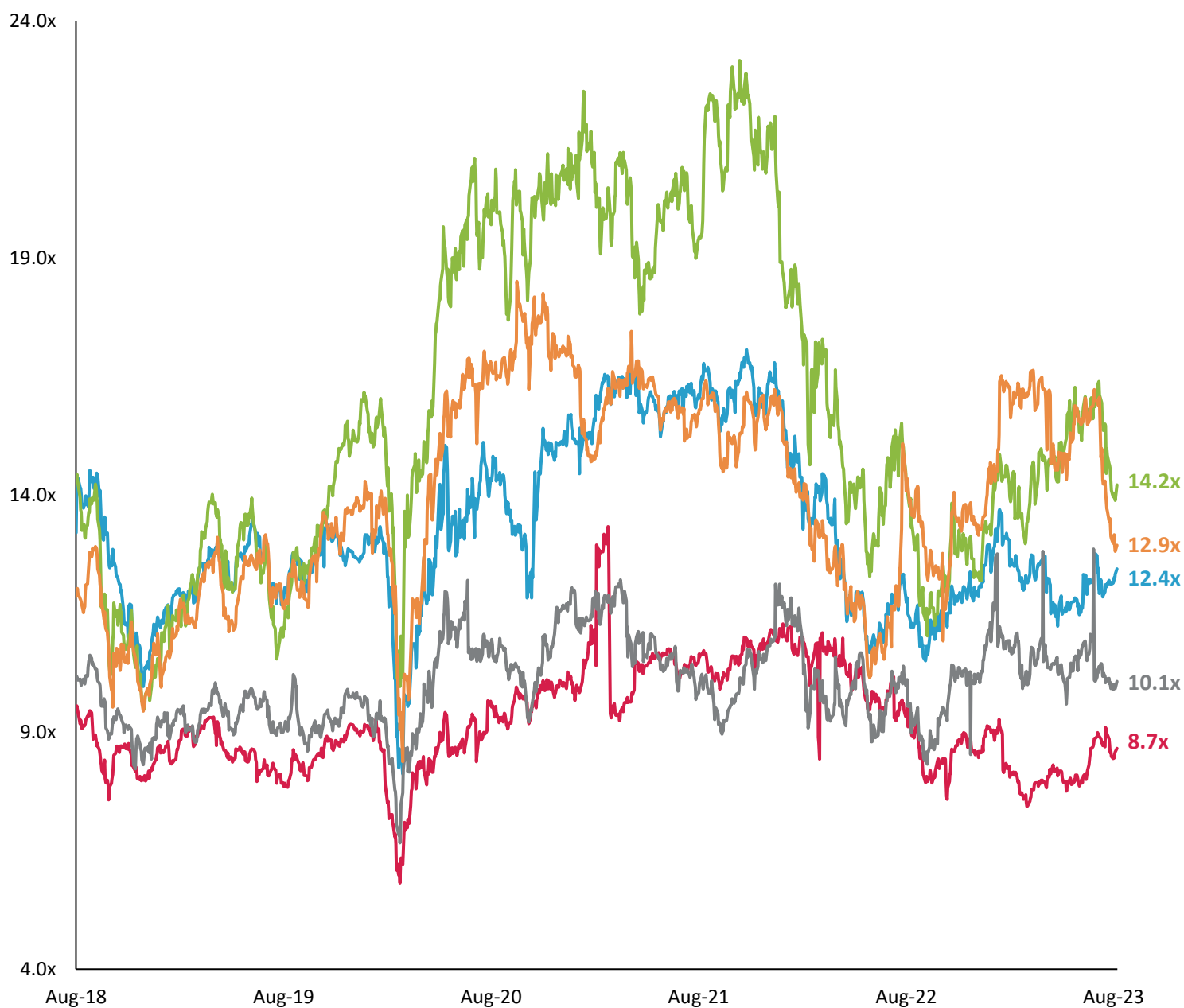
Company	Q2 2023 Estimate Beats / (Misses)		
	Revenue	EBITDA	EPS
Food Technology	(0.3%)	0.1%	(3.2%)
Alfa Laval	4.3%	(1.8%)	(3.2%)
Dover	(4.5%)	(7.4%)	(7.2%)
GEA	(1.0%)	N/A	(6.1%)
John Bean Technologies	0.5%	9.9%	19.8%
Marel	(7.2%)	N/A	N/A
Middleby	0.4%	2.1%	5.1%
Material Handling Equipment	(3.1%)	8.0%	(18.8%)
Columbus McKinnon	(0.5%)	N/A	N/A
Daifuku	(5.6%)	N/A	(41.4%)
Interroll	N/A	N/A	N/A
Kardex	N/A	N/A	N/A
Konecranes	(5.7%)	11.0%	(13.5%)
Tomra	7.5%	5.0%	(18.8%)
Packaging Equipment	(2.2%)	1.8%	17.6%
Krones	N/A	N/A	N/A
Sealed Air	(2.5%)	1.2%	17.6%
SIG Combibloc	(1.9%)	2.3%	N/A
Other Industrial Equipment	1.8%	0.5%	6.1%
Andritz	7.2%	N/A	13.9%
DMG Mori	N/A	N/A	N/A
Dürr	0.4%	2.7%	21.2%
Graco	(2.5%)	(7.8%)	(6.3%)
Hillenbrand	(1.8%)	(1.5%)	3.3%
Husqvarna	7.9%	30.1%	19.7%
Kadant	6.0%	13.4%	19.8%
Lincoln Electric	(3.3%)	(0.7%)	5.2%
Nordson	(2.7%)	0.2%	1.3%
OC Oerlikon	N/A	N/A	N/A
Otis	4.1%	5.2%	7.0%
Sandvik	3.2%	0.5%	(2.7%)
Tools	1.0%	4.7%	21.8%
Enerpac	2.4%	16.6%	37.0%
Fortive	1.3%	4.7%	4.9%
Illinois Tool Works	(1.4%)	(1.2%)	N/A
Makita	3.6%	N/A	120.3%
Snap-on	0.1%	2.2%	6.5%
Stanley Black & Decker	0.6%	28.4%	N/A
Techtronic Industries	N/A	N/A	N/A
Mean	0.3%	5.2%	8.8%
Median	0.3%	2.3%	5.1%

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	12.4x	Δ	Current	14.2x	Δ	Current	8.7x	Δ	Current	10.1x	Δ	Current	12.9x	Δ
1-year	12.0x	0.4x	1-year	14.0x	0.2x	1-year	8.3x	0.3x	1-year	10.3x	(0.2x)	1-year	14.5x	(1.6x)
5-year	12.8x	(0.3x)	5-year	14.9x	(0.7x)	5-year	9.0x	(0.3x)	5-year	10.0x	0.0x	5-year	13.9x	(0.9x)



Source: S&P Capital IQ as of 8/28/2023.

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 8/28/2023.

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 13.8x 2023E EBITDA and 11.2x 2024P EBITDA

Company	Market Cap. (\$ m)	EV (\$ m)	EV / EBITDA		EV / EBIT		P / E		EBITDA 2022A
			2023E	2024P	2023E	2024P	2023E	2024P	
Food Technology			13.6x	11.4x	16.5x	14.5x	19.2x	16.8x	3.1x
Alfa Laval	\$14,036	\$15,782	14.7x	13.0x	17.6x	15.2x	22.2x	18.8x	1.7x
Dover	20,140	23,014	12.4	11.6	15.4	14.1	16.2	14.8	1.8
GEA	7,038	6,964	8.3	8.1	10.9	10.6	14.0	14.2	N/A
John Bean Technologies	3,519	4,272	15.9	14.3	25.1	22.3	28.0	22.8	3.1
Marel	2,708	3,541	14.9	11.1	20.0	14.9	47.5	20.8	5.4
Middleby	7,690	10,010	11.0	10.3	13.2	12.4	14.8	13.5	3.2
Material Handling Equipment			15.0x	13.2x	17.5x	15.5x	24.8x	22.7x	2.1x
Columbus McKinnon	\$1,069	\$1,533	9.9x	8.7x	14.0x	12.0x	13.6x	11.7x	3.9x
Daifuku	6,915	6,237	14.2	12.7	16.7	14.4	23.4	21.4	N/A
Interroll	2,484	2,202	17.6	15.1	23.4	18.7	32.9	28.0	N/A
Kardex	1,758	1,666	16.2	14.6	18.3	16.5	26.3	24.1	N/A
Konecranes	2,675	3,342	6.2	5.8	7.7	7.0	9.9	8.9	2.1
Tomra	3,887	4,095	15.9	13.8	24.9	20.8	36.7	28.8	1.8
Packaging Equipment			8.7x	8.1x	11.6x	10.4x	13.2x	11.1x	4.4x
Krones	3,347	3,070	6.3x	5.5x	9.4x	7.8x	13.2x	11.1x	N/A
Sealed Air	5,177	9,685	8.7	8.1	11.6	10.4	12.4	10.7	4.2x
SIG Combibloc	9,970	12,486	14.1	12.8	22.0	19.8	27.5	24.1	4.5
Other Industrial Equipment			10.1x	11.4x	12.8x	12.8x	16.7x	14.3x	2.1x
Andritz	\$5,023	\$4,829	5.1x	4.9x	6.8x	6.5x	9.0x	8.8x	N/A
DMG Mori	3,645	3,533	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dürr	2,028	2,024	4.7	4.1	6.4	5.6	10.3	8.7	0.2x
Graco	13,124	12,427	17.4	16.4	19.4	18.3	25.9	24.6	N/A
Hillenbrand	3,312	4,243	8.7	N/A	12.1	12.1x	13.4	12.1	2.1
Husqvarna	4,715	5,680	7.6	7.1	12.7	11.1	16.7	13.9	2.1
Kadant	2,518	2,658	13.9	13.3	16.8	16.0	23.2	22.0	0.5
Lincoln Electric	10,806	11,301	14.0	13.2	15.8	14.8	20.7	19.3	1.4
Nordson	13,829	14,091	16.9	15.6	19.6	17.9	26.7	24.5	1.1
OC Oerlikon	1,518	3,067	6.4	6.5	12.6	12.8	11.4	12.1	2.6
Otis	34,850	40,234	16.6	15.4	17.9	16.6	24.4	22.0	2.6
Sandvik	23,361	27,783	10.1	9.7	12.8	12.3	15.3	14.3	2.1
Tools			15.3x	11.2x	20.4x	14.9x	23.8x	20.0x	1.4x
Enerpac	\$1,472	\$1,582	N/A	N/A	N/A	N/A	N/A	N/A	1.1x
Fortive	27,285	29,740	17.9	16.6	25.3	22.9	22.8	20.8	1.6
Illinois Tool Works	73,308	79,406	17.7	16.9	19.5	18.5	24.9	23.3	1.7
Makita	7,238	6,949	13.8	11.2	21.3	15.2	36.6	23.3	-0.2
Snap-on	14,029	14,172	10.1	9.7	10.7	10.4	14.3	14.1	0.3
Stanley Black & Decker	13,933	21,958	16.9	11.2	25.7	14.5	85.2	19.1	5.2
Techtronic Industries	18,171	19,750	12.2	10.6	16.8	14.6	18.2	14.9	1.4
Mean			12.4x	11.2x	16.3x	14.3x	23.1x	17.9x	2.2x
Median			13.8x	11.2x	16.8x	14.6x	21.5x	18.9x	1.9x

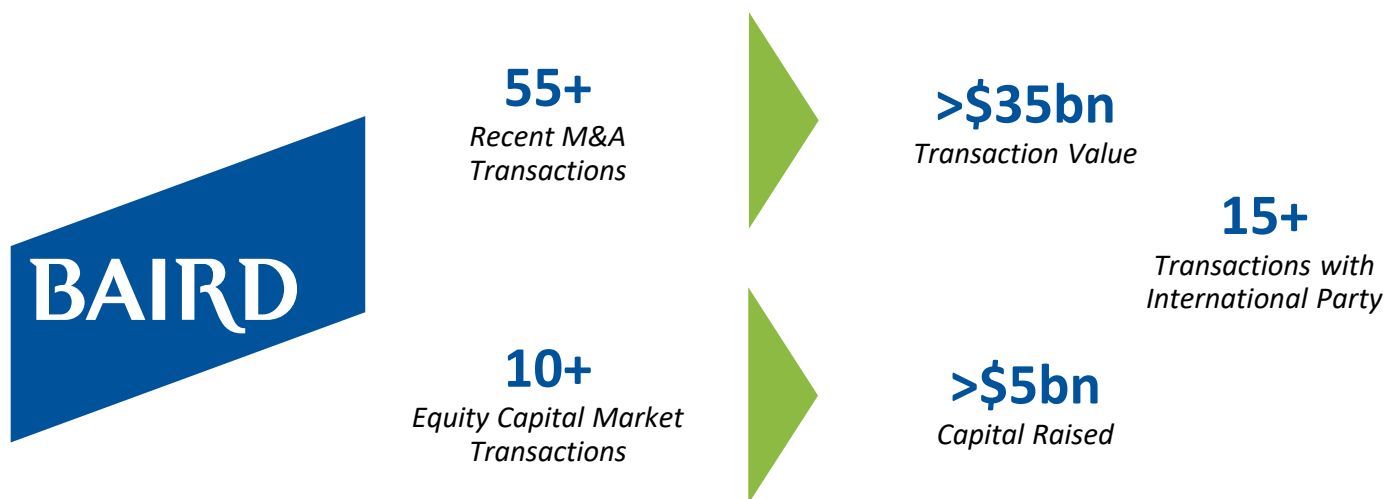
Source: S&P Capital IQ as of 8/28/2023.

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



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Managing Director



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



Alex Carver
Vice President

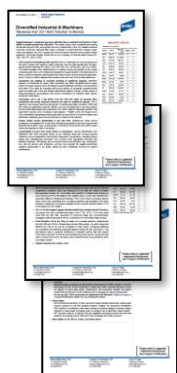


Karl Burns
Vice President

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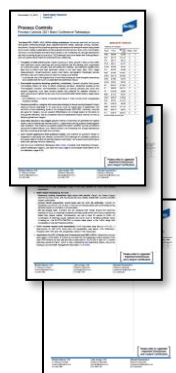
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Baird's Recent Industrial Equipment Experience



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



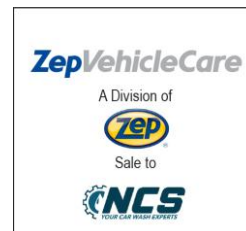
Food processing equipment and aftermarket solutions



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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