

# INDUSTRY INSIGHTS MANUFACTURING

Q4 2022 M&A Market Update

## INSIDE THIS ISSUE...

After a record year in 2021, M&A activity in the manufacturing sector has slowed through Q3 2022 as a result of unfavorable market conditions. Prominent market catalysts that contributed to the slow down included policy tightening by the Fed, reduced market liquidity, and geopolitical conflict. These factors are expected to exert pressure on the market through the end of the year and will influence M&A levels for the foreseeable future.

Investors in the manufacturing space focused their attention on data-oriented, technology enabled organizations that use data to run operations, price products and improve margins. The median enterprise value (EV)/EBITDA multiple increased to 14.5x through Q3 2022 from 13.4x during the same period in 2021. Additionally, the S&P 500 Industrial Index fell approximately 16 percent through Q3 2022 compared to a loss of approximately 20 percent in the broader S&P 500 index during the same period. Industrial supplies and parts, machinery, and electrical equipment companies led manufacturing sector equity markets through Q3 2022. We expect manufacturing sector participants to focus their efforts on managing supply chain constraints, energy issues and inflation concerns, in addition to deploying capital to accelerate digital transformation and automation for the remainder of 2022.

Transaction volume through Q3 2022 remained strong as the pandemic overseas enabled domestic production. However, tempering factors, including supply chain disruptions, high commodity prices and rising energy concerns, remain prevalent in disturbing manufacturing operations. The machinery sub-sector led the way in manufacturing M&A markets through Q3 2022, driven by a focus on automation as a means of improving efficiency and margins.

BDO Capital Advisors, LLC provides the following services:

- ▶ Sell-Side Advisory
- ▶ Acquisition Advisory
- ▶ Capital Raising
- ▶ ESOP Advisory
- ▶ Board Advisory
- ▶ Special Situations

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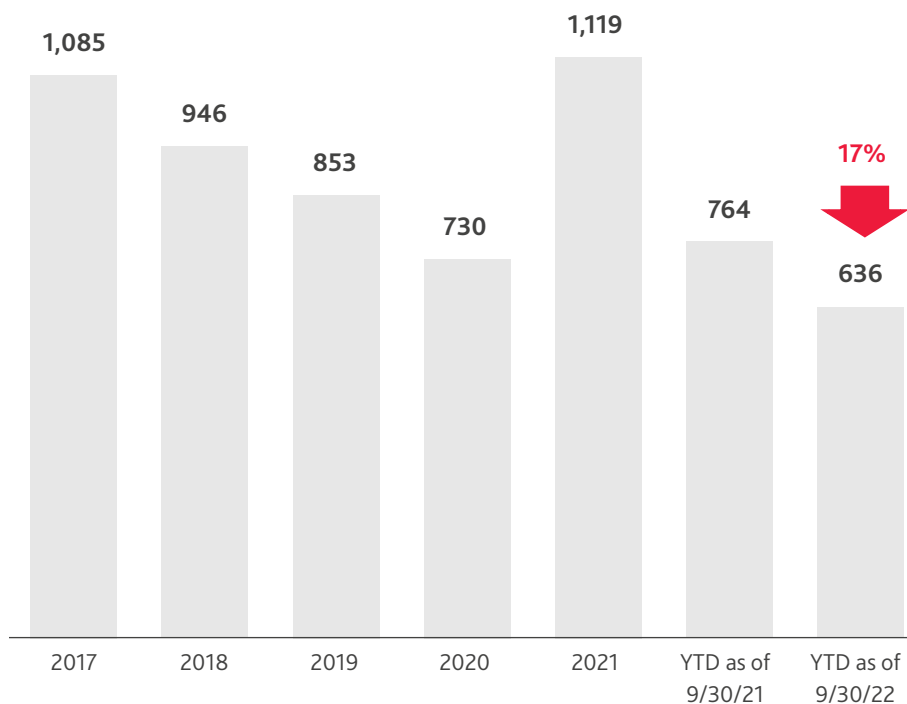
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## SECTOR M&A ACTIVITY

### M&A Transaction Volume: U.S. Manufacturing Industry

#### Commentary

- ▶ Activity in the U.S. manufacturing M&A market slowed down through Q3 2022, posting a 17 percent decrease in transaction volume over the same period a year ago.
- ▶ In total, there were 636 announced deals in the sector involving U.S. headquartered targets through Q3 2022.
- ▶ Supply chain constraints, elevated energy prices and rising inflation have made manufacturing more expensive and less efficient, directly impacting transaction activity.

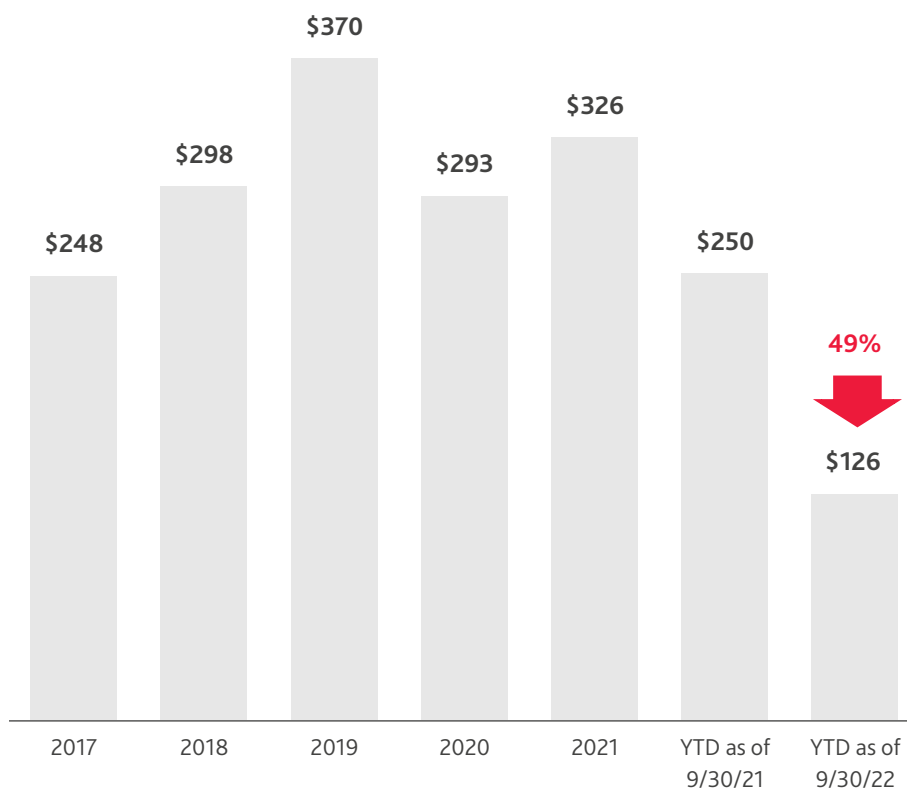


Source: S&P Capital IQ

### M&A Transaction Value (\$B): U.S. Manufacturing Industry

#### Commentary

- ▶ Total reported deal value through Q3 2022 decreased to \$126 billion from \$250 billion, or 49 percent lower than the same period in 2021.
- ▶ There were 33 megadeals (transactions exceeding \$1 billion) announced through Q3 2022, compared to 60 megadeals in the same period of 2021.
- ▶ Pfizer Inc. (NYSE:PFE), acquired Biohaven Pharmaceutical Holding Company Ltd. (NYSE:BHVN), a manufacturer of biopharmaceutical devices for neurological diseases, for approximately \$12.2 billion, representing the largest U.S. manufacturing M&A deal announced through Q3 2022.



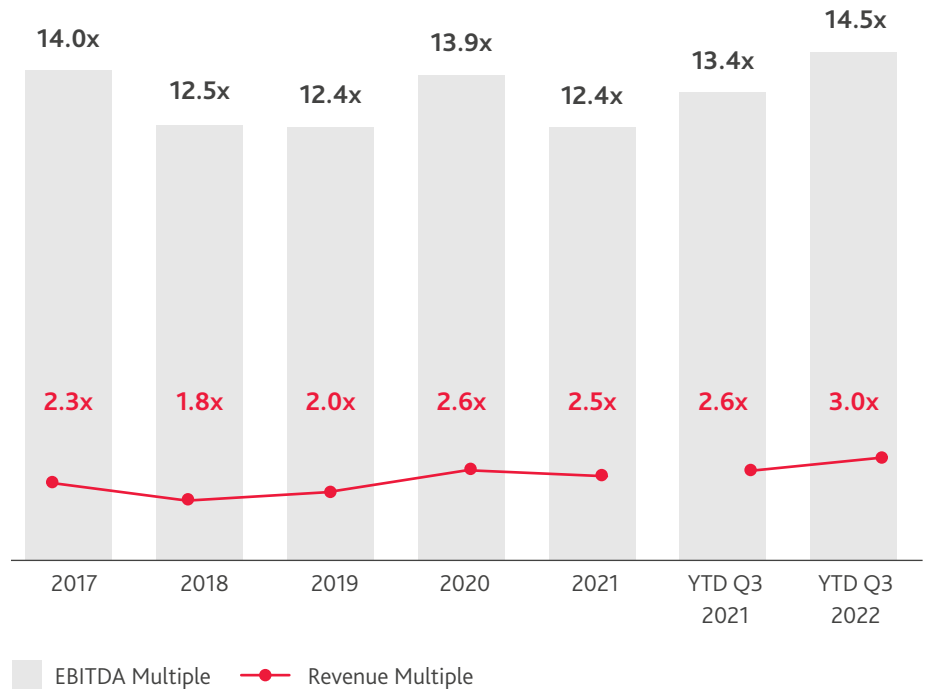
Source: S&P Capital IQ

## SECTOR VALUATION TRENDS

### Median U.S. Manufacturing M&A Transaction Multiples

#### Commentary

- ▶ The median reported EV/EBITDA multiple through Q3 2022 increased to 14.5x from 13.4x in the same period in 2021, an increase of approximately eight percent.
- ▶ Rising costs of capital and decreased dry powder have led strategic and sponsor-backed investors to seek for higher quality investment opportunities.
- ▶ Shifting away from traditional to “smart” factories have increased M&A valuations through Q3 2022 as the incorporation of technology improved factory efficiency.

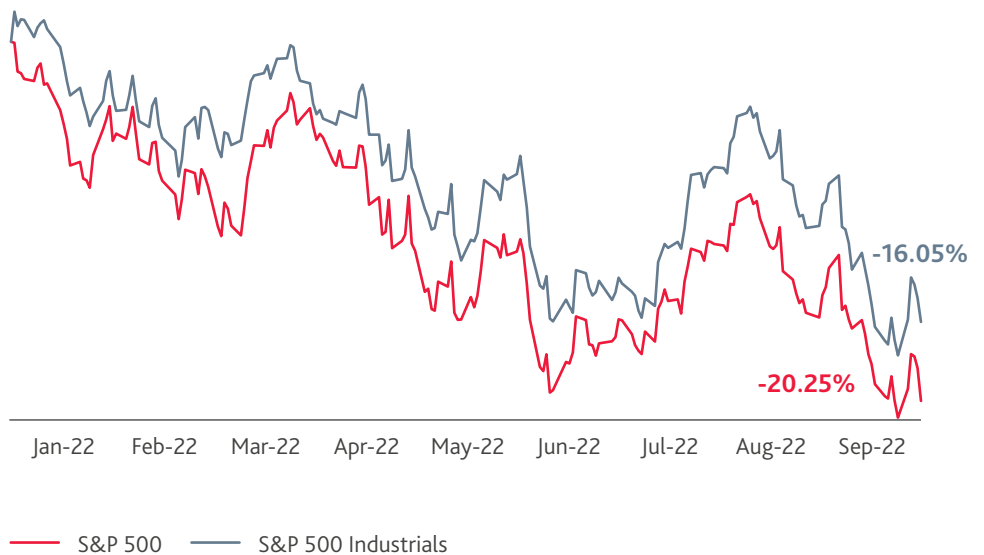


Source: S&P Capital IQ / Note: Revenue Multiples between 1x and 10x; EBITDA Multiples between 1x and 30x

### S&P 500 Vs. S&P 500 Industrial Index

#### Commentary

- ▶ Through the end of Q3 2022, manufacturing sector equities lagged the S&P 500 because of the impact of the Russia-Ukraine conflict and accelerated inflation rates, which severely dampened margins for manufacturing companies.
- ▶ The Industrial Index fell approximately 16 percent through Q3 2022 compared to a loss of approximately 20 percent in the S&P 500 during the same period.
- ▶ Market participants are balancing recovery of demand and sustained intervention by monetary authority with supply chain shortages, high energy costs and labor constraints.



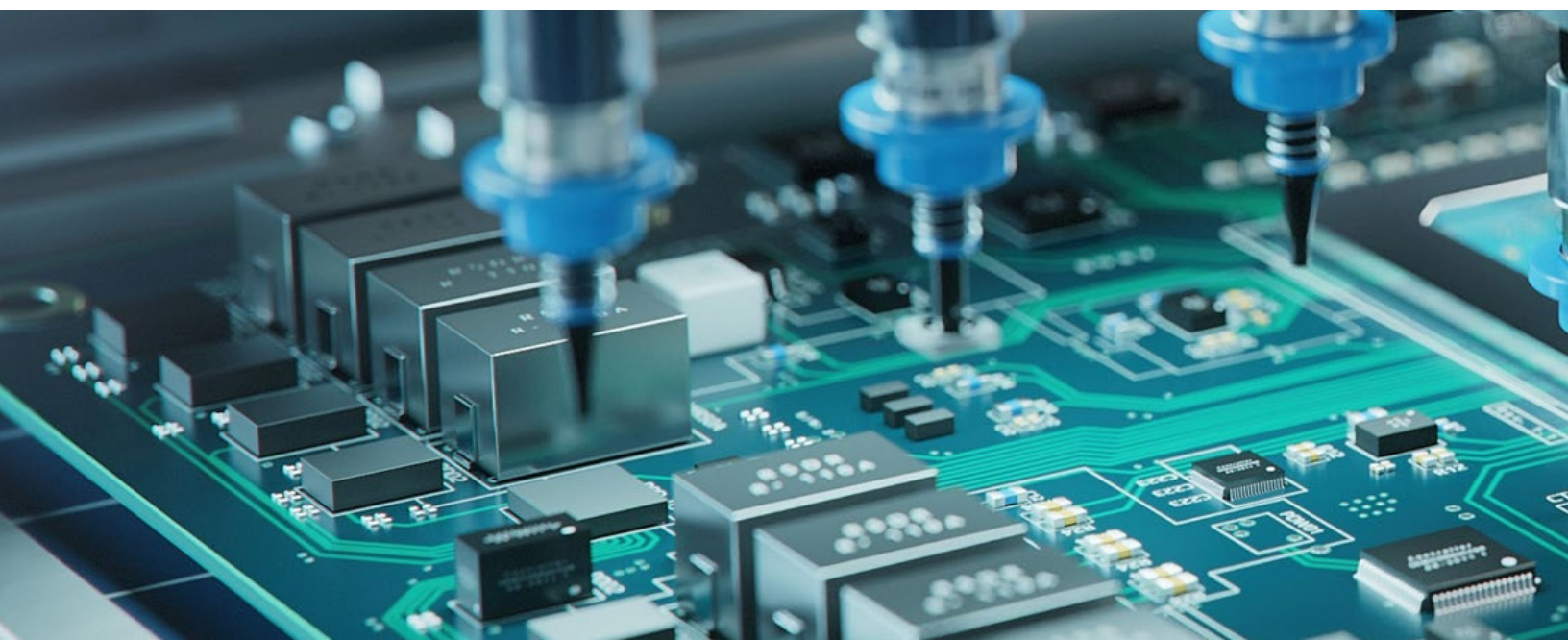
Source: S&P Capital IQ  
 Note: Manufacturing Index weighted by market capitalization

## EQUITY TRADING OVERVIEW

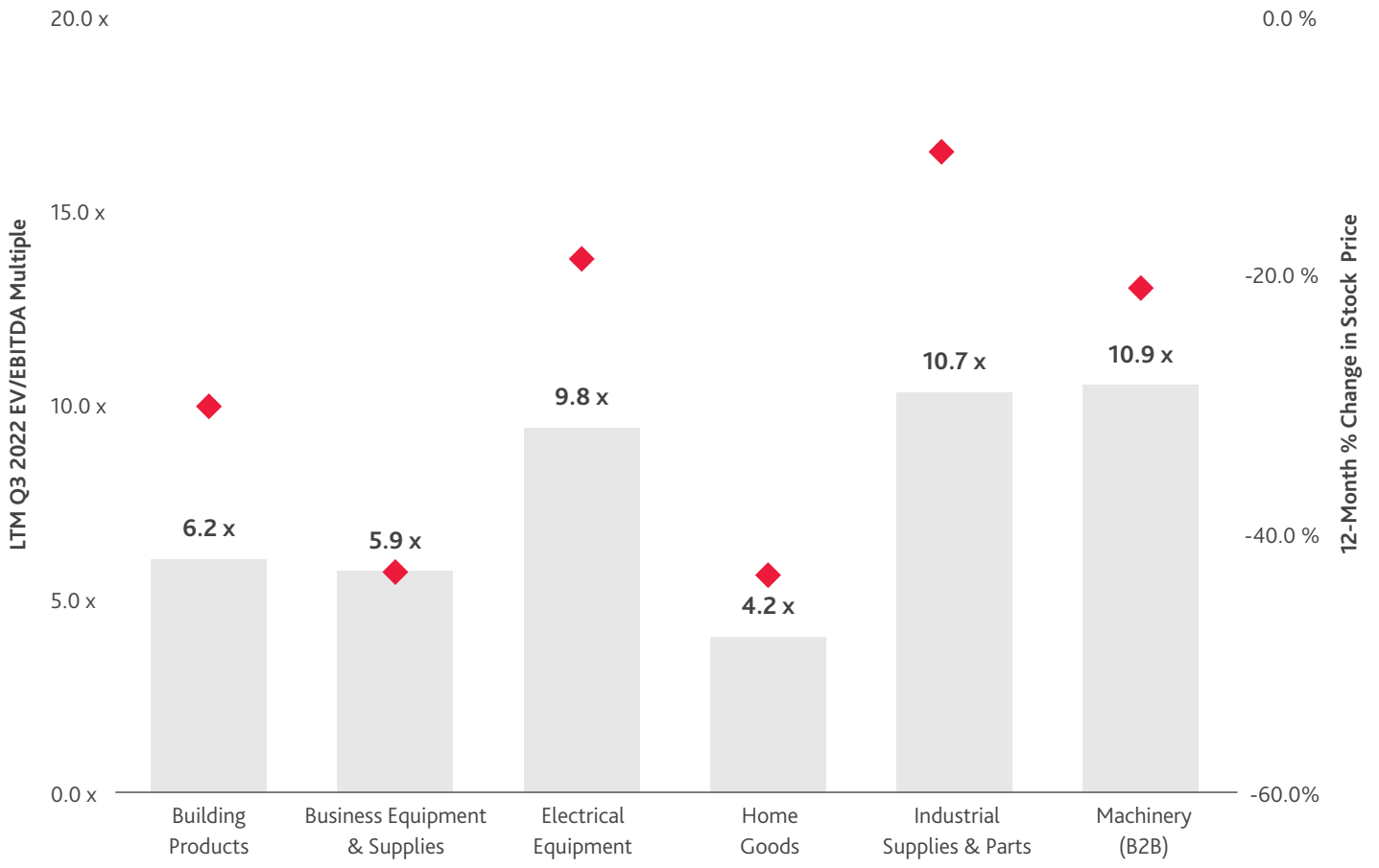
### Key Trading Statistics

Subsector	Number of Companies	Medium Enterprise Value (\$mm)	Change in Stock Price		LTM Q3 2022		2022E	
			3 mos.	12 mos.	EV/EBITDA	P/E	EV/EBITDA	P/E
Building Products	9	2,554	-32.7%	-30.3%	6.2 x	11.3 x	6.2 x	6.7 x
Business Equipment & Supplies	1	1,653	-40.7%	-43.0%	5.9 x	4.3 x	7.2 x	3.5 x
Electrical Equipment	9	13,098	-23.8%	-21.9%	9.8 x	13.8 x	9.2 x	16.5 x
Home Goods	6	4,728	-46.2%	-42.9%	4.2 x	7.4 x	6.1 x	6.4 x
Industrial Supplies and Parts	14	5,154	-21.6%	-12.7%	10.7 x	20.4 x	10.4 x	14.2 x
Machinery (B2B)	7	62,695	-26.8%	-21.5%	10.9 x	13.1 x	11.3 x	13.1 x
Manufacturing Index	46	4,941	-29.8%	-26.1%	8.0 x	12.2 x	8.2 x	9.9 x

Source: S&P Capital IQ

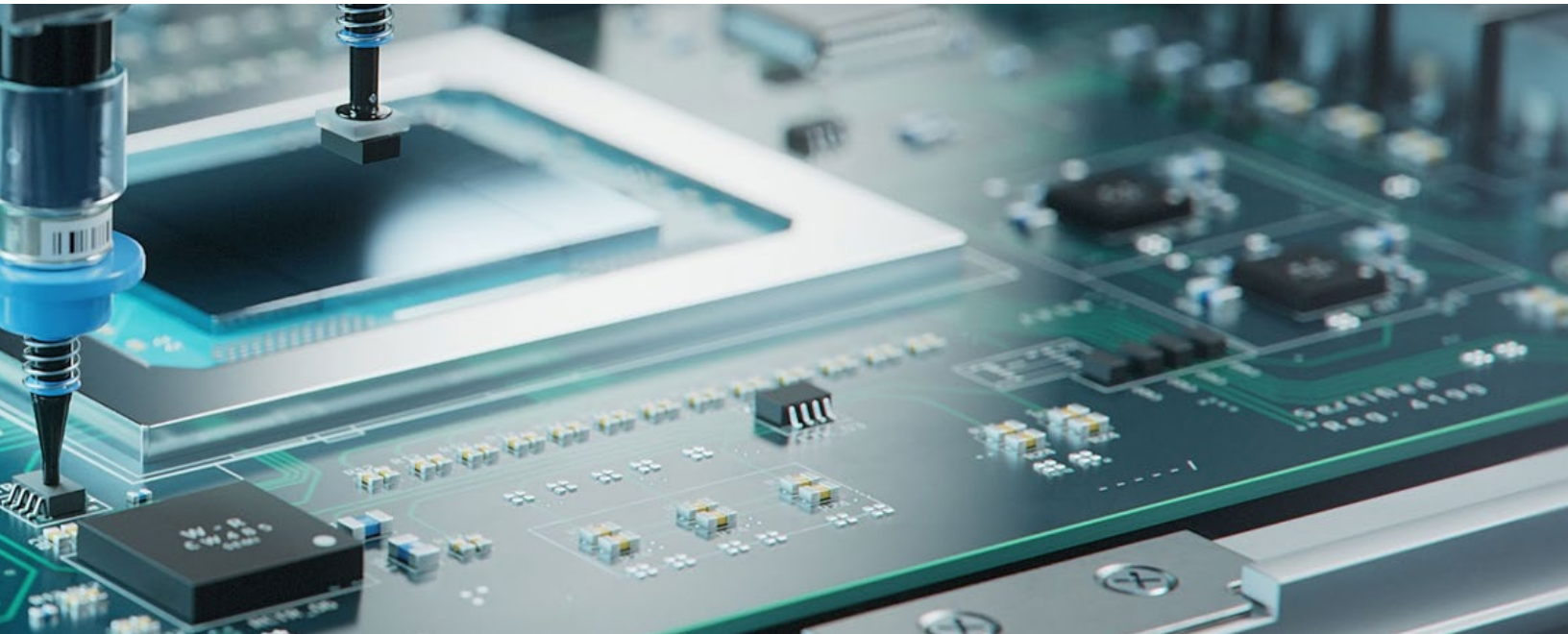


### Public Company Sector Performance



Source: S&P Capital IQ

■ LTM Q3 2022 EV/EBITDA    ◆ 12 Mos. % Change



## SECTOR M&A ACTIVITY

### BDO Capital Advises on Sale of Spiroflow

BDO Capital Advisors, LLC (BDO Capital) is pleased to announce the sale of Spiroflow (the Company) to May River Capital, a Chicago-based private equity firm focused on lower middle market industrial growth companies, as part of the creation of Automated Handling Solutions, a newly established platform offering highly engineered material handling equipment and automation solutions. BDO Capital served as exclusive financial advisor to Spiroflow on this transaction, which builds on the firm's experience working with founder-owned companies in the material handling and industrial automation sectors. Patrick Bisceglia, Managing Director, and Valentina Midura, Senior Managing Director, were the lead bankers on the client engagement for BDO Capital.

Automated Handling Solutions was formed through the combination of two specialty conveying and material handling businesses: Spiroflow, a global manufacturer of material handling equipment and provider of control systems integration, and Cablevey Conveyors, a market leading manufacturer of patented tubular drag conveying systems for food and beverage and high value industrial applications. Together, the combined companies will offer a differentiated and comprehensive suite of material handling equipment and industrial automation solutions to marquee customers globally.

Founded in 1971 by Michel Podevyn and based in Monroe, North Carolina, Spiroflow offers one of the most comprehensive lines of handling equipment and complementary automation solutions in the industry, including flexible screw conveyers, bulk material filling and discharging equipment and integrated control solutions. Spiroflow was a pioneer and early innovator in flexible screw conveying. During its history, the company has built a strong reputation as a provider of precision material handling equipment used in high value applications in markets such as food and beverage, pharmaceutical, nutraceutical and specialty chemical end markets.

Through the leadership of Podevyn and CEO and Co-Chairman Jeff Dudas, Spiroflow has achieved significant recent growth in both the U.S. as well as the UK, where the business was founded and still has a key facility. With installations in more than 50 countries, the company's technology is known for its safety, efficiency and reliability, serving some of the most demanding material handling applications.




Served as exclusive financial advisor to Spiroflow in its sale to May River Capital

***"We've come a long way during the past 50 plus years, as we've built a company that has become an important and reliable partner to our customers," said Podevyn. "We could not be more excited for the Spiroflow team to take the company to the next level through its new partnership with May River Capital."***

## BDO: ONE OF THE MOST ACTIVE ADVISORY NETWORKS IN THE WORLD

Ranked #1 Most Active M&A Advisor Globally In 2021 By PitchBook's 2021 Annual League Tables



**2,020**  
Deals in 2021



**\$128.6B**  
Deal Value



**120**  
Countries

### Select BDO Capital Advisors Manufacturing Experience

Served as exclusive financial advisor to Solatube International, Inc in its sale to Kingspan Light & Air, LLC, a division of Kingspan Group plc (ISE:KRX)

Served as exclusive financial advisor to Pak Source Inc. in its sale to White Distribution and Supply, LLC, a portfolio company of Slate Capital Group, LLC

Served as exclusive financial advisor to Safe-Way Garage Doors, LLC in its sale to CW Industrial Partners, LLC

Served as exclusive financial advisor to Savage Universal Corp. and its affiliates in its sale to The Vitec Group plc (LSE:VTC)

Served as exclusive financial advisor to Coastal Industries, Inc. in its sale to American Bath Group, LLC, a portfolio company of Centerbridge Partners, L.P.

Served as exclusive financial advisor to Teslaccessories, LLC d/b/a EVANNEX in its sale to Enthusiast Auto Holdings, LLC a portfolio company of Cortec Group

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- ▶ Family Businesses
- ▶ Entrepreneur-Owned Companies
- ▶ Recapitalizations / Private Equity
- ▶ Partial / Minority Sales
- ▶ Corporate Carve-Outs
- ▶ Cross-Border Transactions
- ▶ ESOPs

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- ▶ Valuation
- ▶ Structuring
- ▶ Negotiation
- ▶ Acquisition Financing
- ▶ Management Buyouts
- ▶ Acquisition Search

## ESOP ADVISORY

- ▶ Feasibility, valuation and tax analyses
- ▶ Assistance with the selection of an ESOP Trustee
- ▶ Capital raising for leveraged ESOPs
- ▶ Benefit plan design and analyses\*
- ▶ M&A comparative analyses
- ▶ Tax and accounting\*
- ▶ Plan administration\*

## CAPITAL RAISING

- ▶ Debt
- ▶ Mezzanine
- ▶ Equity

\*Services provided with the assistance of BDO USA, LLP

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