



Berntson Porter Corporate Advisory *2018 Manufacturing M&A Review*

January 2019



Manufacturing Sector Observations

Conversations with manufacturers across a range of sub-sectors have yielded several recurring themes:

- **The impact of tariffs has been mixed – higher prices on certain imported raw materials, but increased overall demand for US-made products**
- **Continued shortages in skilled labor (machining, welding, etc.) have pushed employers in two directions:**
 - Smaller manufacturers are forced to develop low-cost skilled employees in-house
 - Larger manufacturers are investing in equipment offering robotics/automation
- **Larger OEMs continue to reduce the number of vendors, creating opportunities for larger suppliers to capture additional share**

Manufacturing M&A Update

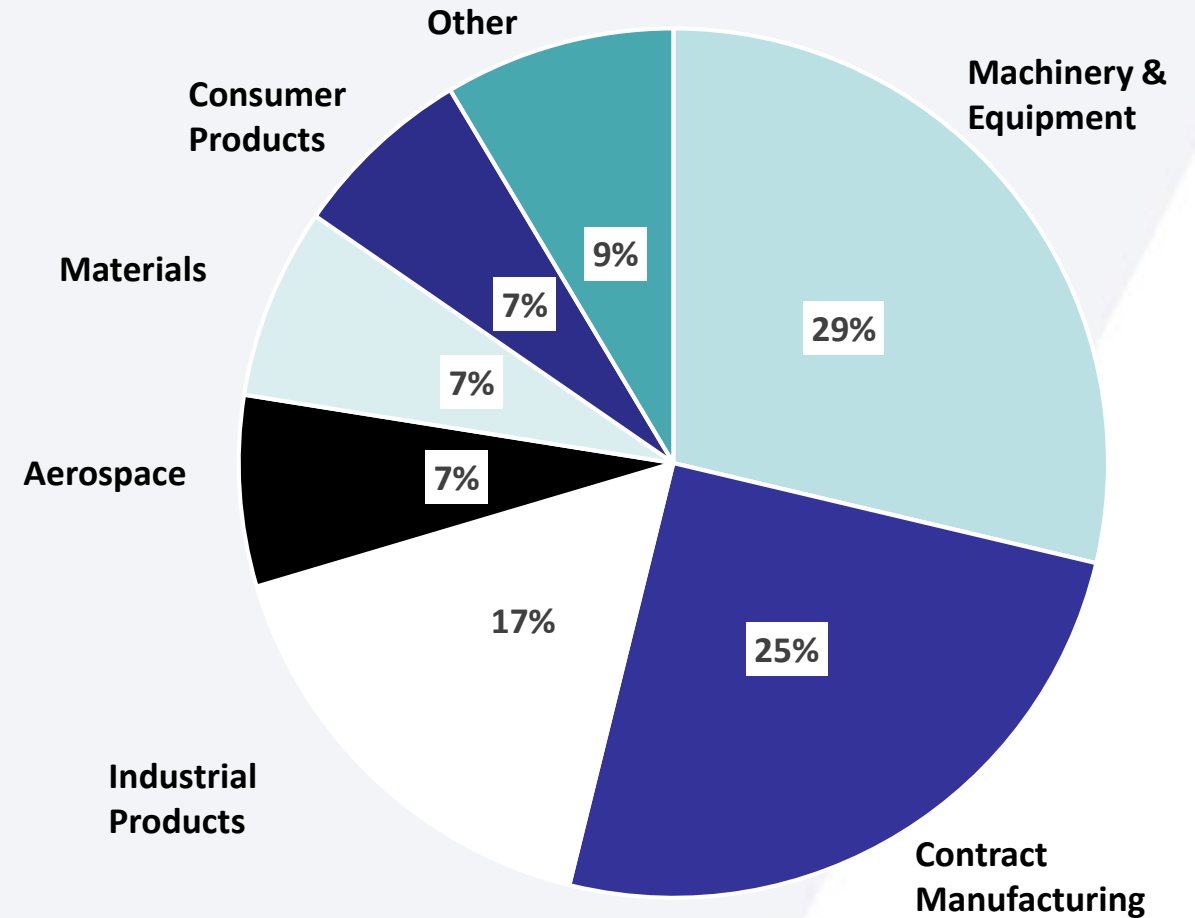
Feedback from the buyers remains favorable for manufacturers

- **Manufacturing continues to be an attractive industry sector for acquirors; BPCA has seen healthy demand, both in terms of number of bidders and valuations, on our completed and ongoing sell-side engagements**
- **With large capital reserves (\$1+ trillion) and low borrowing rates, private equity firms and other financial buyers are bidding competitively against strategic buyers**
- **Given concerns of an economic slowdown, buyers are increasingly looking to employ structure (earnouts) when acquiring manufacturers that are forecasting continued growth**

2018 M&A Activity by Sub-Sector

2018 Manufacturing M&A activity was dominated by 3 core sub-sectors:

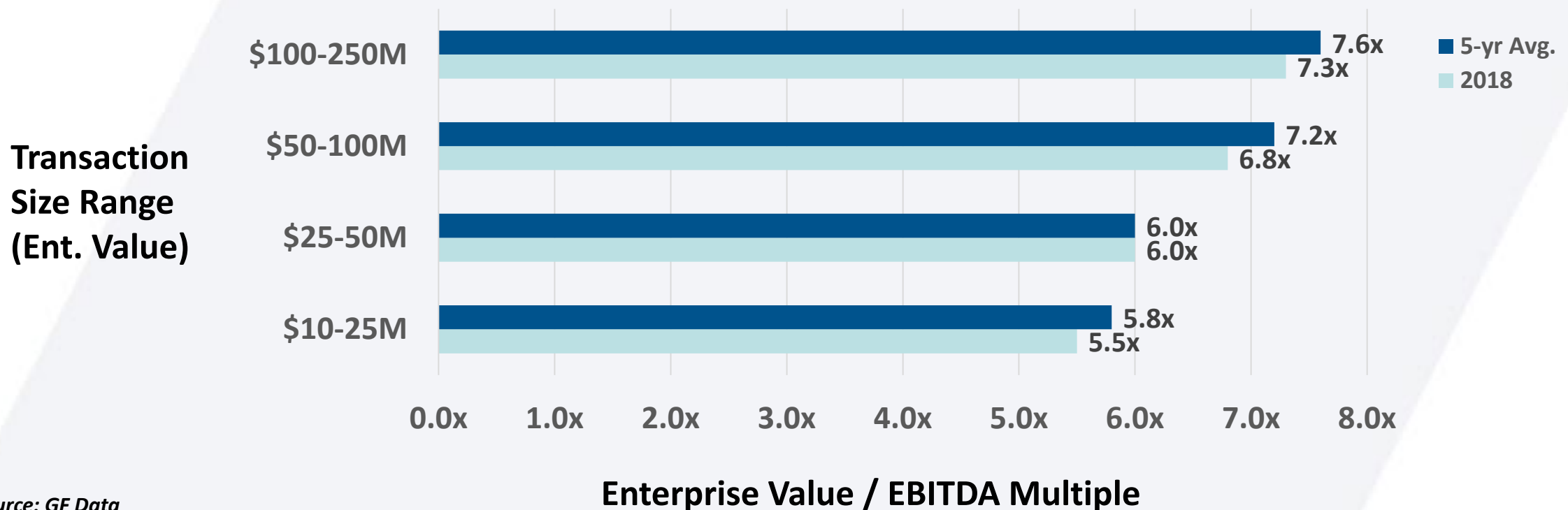
- **Machinery & Equipment (29%)**
- **Contract Manufacturing (25%)**
- **Industrial Products (17%)**



Source: Capital IQ

Manufacturing M&A Multiples

M&A multiples were down slightly versus the 5-yr average, with larger deals continuing to command a premium



Source: GF Data

Acquirors Wishlist

Targets with the following attributes continue to garner higher multiples:

❑ Revenue predictability

- Contracts and/or stable product programs with well-capitalized customers
- Sales diversification across customers, end-markets, and products
- Long-standing customers; consultative sales relationships
- Recession-proof or countercyclical lines of business

❑ Product differentiation

- Technically challenging, engineered products and/or intellectual property

❑ Growth opportunities

- New end-markets and geographies
- Cross-selling opportunities with existing customers
- Tuck-in acquisition opportunities

Acquirors Wishlist (continued)

❑ Management strength and stability

- Team depth and continuity
- Cohesive team culture

❑ Infrastructure to enable continued growth

- Capacity to support projected revenues
- Long-term control over building/facility
- Well-maintained equipment

❑ Technology investments

- Strong financial controls
- Reliable and flexible data
- Post-ERP implantation

BPCA Manufacturing Activity

RECENTLY COMPLETED TRANSACTIONS

*New and recycled
pallets serving
agricultural markets*

Project
SHAKESPEARE

*Vacuum components
for semiconductor
manufacturing*



has been acquired by



Berntson Porter Corporate Advisory
served as exclusive sell-side advisor

January 2019

CURRENT SELL-SIDE ENGAGEMENTS

*Plastics tooling &
injection molding*

Project
DAKOTA

*Precision aerospace
components*

Project
BELMONT

BPCA Overview

- **BPCA provides M&A advisory services for NW-based private companies valued at \$5M to \$100M**
- **Our process maximizes value and options for clients considering a sale to an external buyer (including both strategic and financial buyers)**
- **Our past transaction experience includes a broad range of sub-sectors:**
 - Precision manufacturing
 - Niche industrial products
 - Building products
 - Marine / Maritime
 - Plastic injection molding
 - Aerospace components
 - Industrial technology
 - Ag products & equipment

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