



Q3 INDUSTRIALS & MANUFACTURING

Quarterly Industry Newsletter

G2 | CAPITAL ADVISORS

G2 Capital Advisors is pleased to present its Industrials & Manufacturing industry update for Q3 2021, providing commentary and analysis on M&A and market trends within the Industrials & Manufacturing sectors.



G2 Insights



Trading Statistics



Select Q3 2021 Deals



Market Indicators



Active G2 Mandates

The bipartisan infrastructure package, passed by the Senate in August, remains in contention as the House determines the future of a ~\$1TN infrastructure package closely tied to President Biden's wide-ranging agenda. New infrastructure spending, along with a better-than-expected economic recovery, will provide further tailwinds, particularly to the I&M sector. In the backdrop of one of the largest contemplated federal spending increases in U.S. history, inflation has come roaring back after a decade hiatus. The Personal Consumption Expenditures index, the federal reserves preferred inflation measure, climbed at its fastest pace since 1991, rising by 4.3% through the year-to-date August period. Prices across the economy continue their relatively breakneck pace upwards after years of subdued inflation, sending ripples throughout the I&M sector.

Inflation is surging in large part due to the continued impact of the COVID-19 pandemic on supply chains, causing delays and shortages in international freight. The key question is whether this renewed bout of inflation is transitory, or part of a broader "new normal". The president of the New York Federal Reserve has predicted current high inflation rates to fade away by next year and converge to the Fed's stated two percent target rate. Ongoing shortages in labor and supplies have exacerbated price increases with companies forced to pay more for wages and materials. While there are over five million fewer jobs today than at the start of the pandemic, the unemployment rate remains far above levels in early 2020. Millions of people with jobs before the pandemic have yet to return to work, resulting in sustained labor crunches in manufacturing and other labor intensive sectors. Many manufacturers, not expecting a near-term fix to the labor dislocation, are investing in robotics and automation technologies to reduce labor requirements. M&A in the precision control and automation sectors is red hot as companies look to augment existing technologies and gain new capabilities.

A unique economic environment, coupled with uncertainties around potential tax code changes have driven an increase in M&A activity. In this newsletter, we will demonstrate the recent impacts on key Industrials and Manufacturing sectors and how the related M&A market has performed in the third quarter of 2021.

BUILDING PRODUCTS

[Click for Article](#)

After a blistering 18 months of construction, 2022 is expected to register a decline in new-build residential demand as high prices and rising interest rates put pressure on affordability. Conversely, the hard hit non-residential sector is expected to benefit from a major influx of government spending as planned infrastructure investments and the return of people to cities will help jumpstart delayed projects. Non-residential construction spending remains 11% below its January 2020 peak, with lodging, public safety, and recreation hit the hardest. In August, the Senate approved a \$1TN infrastructure bill, including \$550BN in new spending on areas such as road improvements, broadband upgrades, and power infrastructure. The spending bill remains in contention with the House as lawmakers continue to negotiate in the face of a looming vote.

ELECTRICAL EQUIPMENT

[Click for Article](#)

Continued market dislocations in the semiconductor industry reflect a myriad of wide-ranging factors from long lead times to build new supply, rapid increases in demand related to the pandemic, and shipping disruptions. Now, government efforts to reduce carbon emissions can be added to the list. Chinese officials in the Guangdong and Jiangsu provinces have curtailed operating hours in key Chinese manufacturing hubs as surging coal prices and government regulations have led to power outages in the region. A ban on imports of coal from Australia, in retaliation to their call for an inquiry into the origins of COVID-19, has further strained the power supply. The self-inflicted supply shock may cost China up to one percentage point of GDP growth in 2021, and result in further delays and shortages for downstream industries reliant on Chinese manufacturing.

Source: G2 Insights, The Wall Street Journal, ING, GlobalNews, WTW Media, The Diplomat, BloombergNEF

G2 Insights

Infrastructure Spending and Inflation Soaring

INDUSTRIAL TECHNOLOGY

[Click for Article](#)

Industrial automation continues to elicit strong interest from investors betting on the Industry 4.0 revolution. Industrial robotics manufacturer, Novanta, acquired two automation robotics providers in Q3, in a bid to expand its position in robotics and accelerate growth in precision motion. Robotics is a key enabler in Industry 4.0 factories, improving safety, quality, and productivity. The global industrial automation market is expected to grow to nearly \$17BN by 2027 driven by both productivity gains and increasing stringent safety rules imposed by world governments. The modern industrial environment requires a broad range of interconnected technologies able to withstand high throughput and sometimes punishing conditions. Growing industrialization in developing countries, particularly in the Asia Pacific region, will drive a large share of the growing market in the years to come.

PACKAGING

[Click for Article](#)

A long-term shift to online retail was accelerated during the pandemic, and along with it, a huge increase in demand for packaging solutions. High demand, coupled with logistics disruptions, forced retailers to get creative with solutions while meeting consumer demand for same-day and next-day delivery. North American Containerboard, a key raw material for shipping boxes, rose nearly 10% since the beginning of the year, driving retailers to look for alternative solutions to standard cardboard boxes. Amazon, the dominant player in online retailing, has increasingly shifted deliveries to “mailers”, paperboard packaging that can weigh up to 75% less than a traditional box while also being cheaper and easier to pack. Georgia Pacific announced in August that it would expand its manufacturing footprint to specifically address the soaring demand for recyclable paper padded mailers for e-commerce. Additionally, some retailers are advertising “Frustration-Free Packaging” which reduces packaging costs by shipping products in the same box it comes from the manufacturer in, eliminating one layer of packaging. Lastly, consumers are being prominently offered “pick up in store” options, eliminating excess packaging and shipping costs altogether.

PLASTICS

[Click for Article](#)

Plastic resins, the essential building blocks of countless consumer and industrial products, are experiencing a unique crunch of high demand and constrained supply, driving prices to historic high levels. The industry has sustained multiple shocks over the past 18 months ranging from COVID-19 disruptions and hurricanes and other severe weather events, sidelining production and reducing global supply. Polyethylene resin, which accounts for roughly a third of the total plastics market is likely to normalize in the near future with three new facilities coming online in the U.S., adding 9 – 10 BN pounds in new capacity. Despite this, logistics and freight disruptions affecting prices are expected to persist into 2023, as lead times for new freight capacity hamper price normalization.

SPECIALTY CHEMICALS

[Click for Article](#)

Much has been made of the monumental effort to shift from fossil fuels to renewable and clean energy sources. Such transition may require as much as \$173TN in infrastructure investments over the next thirty years, according to BloombergNEF. This shift has put a spotlight on the raw materials required to effectuate the transition, as rare earth minerals and metals take greater importance in global markets. Despite its place as one of the world’s poorest counties, Afghanistan is sitting on roughly \$1-3TN of minerals, including vast deposits of lithium, a key input to batteries needed for many green technologies. After the Taliban conquest of Kabul on August 15, the West lost a key foothold in a country that an internal Pentagon memo called the “Saudi Arabia of lithium”. The country’s reserves of this coveted metal may even rival those in the “lithium triangle” of South America (Bolivia, Argentina, Chile). While the West is unlikely to invest in a country under Taliban rule, countries such as China, Russia, and Iran have already begun cultivating relationships with the new regime, in a global game with the stakes being control of the world’s energy transition.

Source: G2 Insights, The Wall Street Journal, ING, GlobalNews, WTW Media, The Diplomat, BloombergNEF

Select Transaction Highlight

Industrials & Manufacturing

During Q3 2021, G2 acted as Exclusive Financial Advisor to The Granite Group Wholesalers, LLC. (“The Granite Group” or the “Company”) supporting the execution of a growth investment by BBH Capital Partners.



has received a growth capital investment from BBH Capital Partners VI, L.P.

BROWN 
BROTHERS
HARRIMAN

CLIENT: Founded in 1971, The Granite Group Wholesalers, LLC (“The Granite Group” or “the Company”), serves New England residential and commercial contractors, providing exceptional service and products to plumbing, heating, cooling, water, and propane markets. Headquartered in Concord, NH, the Company’s best-in-class e-commerce and 45+ branch network is operated by expertly trained staff that offer an industry-leading customer experience.

SITUATION: The Granite Group has long been one of the leading family-owned businesses in the Northeast. In the past few years, the Company has embarked on a strategic, thoughtful expansion across New England and within its e-commerce platform, increasing density in key markets and expanding its presence through organic branch openings and acquisitions. A meticulous approach to product line expansion has ensured strategic alignment with the Company’s customers and differentiated product knowledge.

ENGAGEMENT: G2 has served as a long-term strategic advisor to The Granite Group and as the exclusive financial advisor for this process, was responsible for leading a highly tailored and efficient transaction process for the family and Company.

OUTCOME: The transaction was successfully executed through a growth investment by BBH Capital Partners (“BBHCP”) in the equity interests of The Granite Group. The family is retaining ownership, and Bill Condron, President and CEO of The Granite Group, will continue to lead the Company, using additional resources and expertise from BBHCP to execute on a shared vision of growth.

“G2 has been our trusted advisor and partner for many years, supporting the execution of family’s and the Company’s long-term vision. Throughout this process and the duration of our relationship, G2 has been a key strategic advisor, aligning with our people-first culture, and helping us define and execute the best possible outcome. G2’s deep knowledge of our business and industry, and vision for the potential of our platform was critical to the success of this process, along with their unique ability to guide the family through a major life event,” said Bill Condron, CEO of The Granite Group.

“The exciting partnership between The Granite Group and BBHCP will supercharge the robust growth of their platform and allow them to execute their strategic vision on an accelerated timeline. We are thrilled to have had the opportunity to lead our client through to a successful outcome,” said Jeffrey Unger, CEO of G2. “Our relationship with The Granite Group is a terrific example of our strategy of acting as an industry focused trusted advisor to innovative, high growth companies.”

The transaction will support the Company’s growth initiatives of expanding organic footprint and executing strategic acquisitions.

Securities offered through Hollister Associates, LLC, Member FINRA & SIPC. G2 Capital Advisors, LLC and Hollister Associates, LLC are separate and unaffiliated entities.

Key Trading Statistics

Industrials & Manufacturing

Sector	Number of Companies	Median Enterprise Value (\$MM)	LTM ¹			
			Median Revenue Growth	Median EBITDA Growth	EV / Revenue	EV / EBITDA
Aerospace Manufacturing	17	\$7,602	1.8%	5.6%	1.7x	12.1x
Building Products	15	\$5,587	4.5%	5.4%	1.9x	11.4x
Chemicals	20	\$19,418	6.5%	8.5%	1.8x	9.9x
Construction	12	\$5,552	2.6%	7.0%	1.1x	12.0x
CPG	11	\$23,387	1.7%	0.9%	2.8x	15.1x
Electrical Equipment	11	\$11,230	7.7%	10.1%	3.4x	15.2x
Food	13	\$30,122	2.7%	1.6%	2.2x	12.5x
Industrial Technology	10	\$36,744	5.5%	7.3%	4.0x	16.8x
Materials	15	\$15,069	5.9%	7.0%	3.6x	11.3x
Metals	12	\$10,174	16.7%	40.8%	0.9x	5.7x
Packaging	13	\$14,575	3.3%	1.7%	1.4x	9.7x
Plastics	12	\$5,839	9.5%	14.1%	1.1x	8.1x

**For complete supporting information, click here.*

¹ LTM Multiples and comparison to September 30, 2020; Excludes outliers above 30.0x EV / EBITDA

Key Trading Statistics in Millions USD (converted where necessary)
Data sourced from S&P Capital IQ on September 30, 2021

Selected Q3 2021 Industry Deals

Industrials & Manufacturing

Several notable transactions have closed or were announced in the Industrials & Manufacturing space through Q3 2021. G2 has outlined select transactions below.

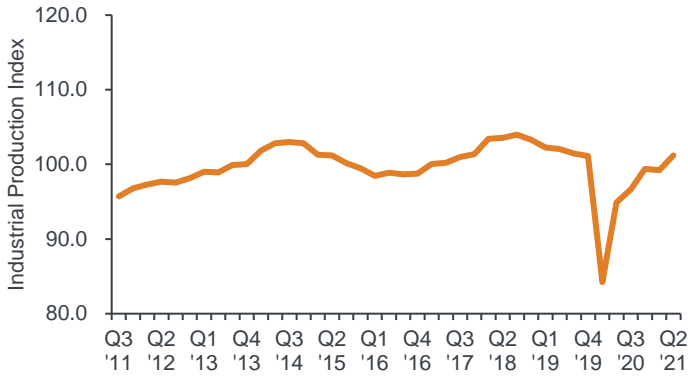
Selected Q3 2021 M&A Transactions						EV / LTM	
Date	Target	Acquirer	Target Description	Enterprise Value	Revenue	EBITDA	
Sep-2021	Guangxi Tianyuan New Energy Materials Co.	Albemarle Lithium UK Limited	Guangxi Tianyuan's operations include a lithium processing plant with an annual conversion capacity of up to 25K metric tons LCE, capable of producing battery-grade lithium carbonate and lithium hydroxide.	\$200.0	-	-	
Sep-2021	Gateway Plastics, Inc.	Silgan Holdings Inc.	Gateway Plastics, Inc. manufactures and markets injection molded plastic packaging solutions.	\$485.0	-	-	
Sep-2021	H.C. Starck Inc.	Materion Corporation	H.C. Starck Inc. develops, manufactures, and markets refractory metal powders, ceramic powders, fabricated products, and additively manufactured parts.	\$380.0	-	-	
Sep-2021	Igloo Products Corp.	Dometic Group AB (publ)	Igloo Products Corp. designs, manufactures, and markets coolers and other outdoor products and housewares.	\$900.0	2.2x	-	
Sep-2021	Assets of Farrar Scientific, LLC	Trane Technologies plc	Assets of Farrar Scientific, LLC comprises refrigeration equipment manufacturing business.	\$365.0	-	-	
Aug-2021	Performance Adhesives Business of Ashland LLC	Arkema S.A.	Performance Adhesives Business of Ashland LLC comprises business of manufacturing adhesives.	\$1,650.0	-	20.1x	
Aug-2021	Advanced Drainage Systems, Inc.	Canada Pension Plan Investment Board	Advanced Drainage Systems, Inc. designs, manufactures, and markets thermoplastic corrugated pipes and related water management products and drainage solutions.	\$8,908.6	4.2x	18.3x	
Jul-2021	Doors & Building Components Inc.	Janus International Group, Inc.	Doors & Building Components Inc. manufactures, sells, and installs steel curtain roll-up doors, components, and accessories for commercial and self-storage markets.	\$168.0	2.0x	12.0x	
Jul-2021	GlobalParts Group, Inc.	VSE Corporation	GlobalParts Group, Inc. manufactures and distributes aviation spare parts to the aviation industry in the United States and internationally.	\$38.0	0.6x	-	
Jul-2021	ATI Industrial Automation, Inc.	Novanta Corporation	ATI Industrial Automation, Inc. engages in designing, manufacturing and selling robotic end-effectors to manufacturing companies in the United States and internationally.	\$172.0	2.5x	-	
Jul-2021	Schneider Electric Motion USA, Inc.	Novanta Corporation	Schneider Electric Motion USA, Inc. designs, develops, manufactures, and supplies motion control components for automation equipment.	\$115.0	-	-	
Jul-2021	LASCO Fittings, Inc.	North American Pipe Corporation	LASCO Fittings, Inc. designs, engineers, manufactures, and sells injected-molded PVC fittings to the customers in the United States and internationally.	\$252.5	1.7x	-	

Source: G2 Insights, S&P Capital IQ

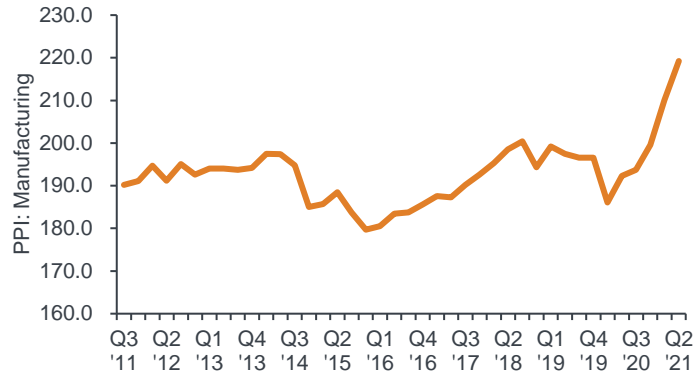
Market Indicators

Industrials & Manufacturing

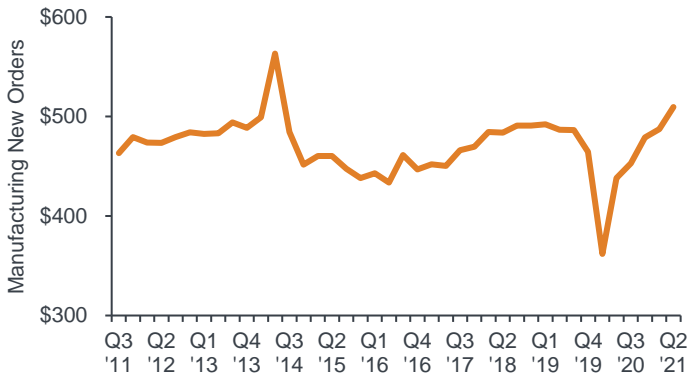
Industrial Production Index



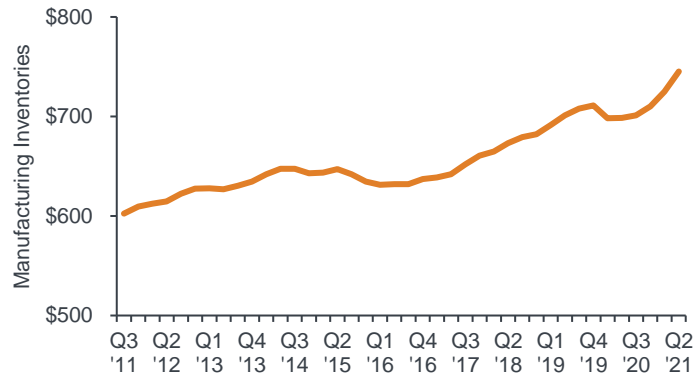
Producer Price Index: Manufacturing



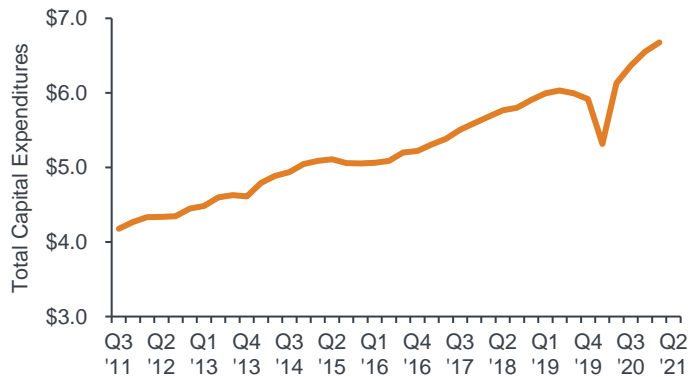
Manufacturing New Orders (\$B)



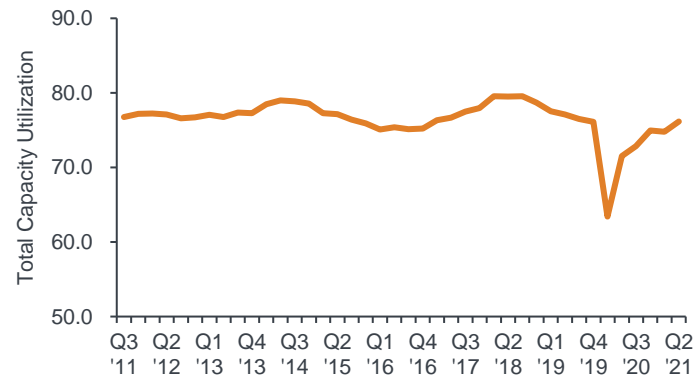
Manufacturing Total Inventories (\$B)



Total Capital Expenditures (\$TN)



Total Capacity Utilization

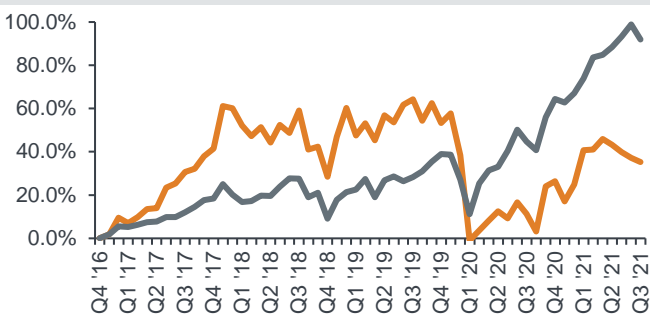


Data sourced through Federal Reserve Economic Data

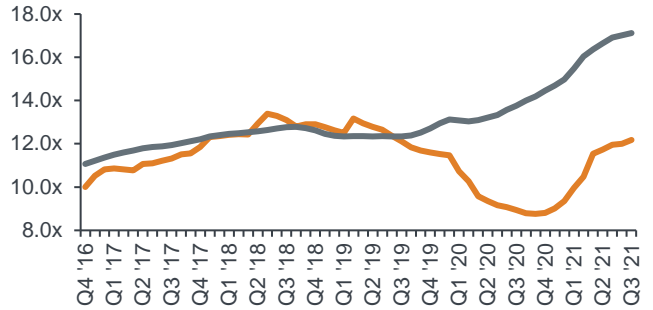
Public Trading Performance by Segment

Industrials & Manufacturing

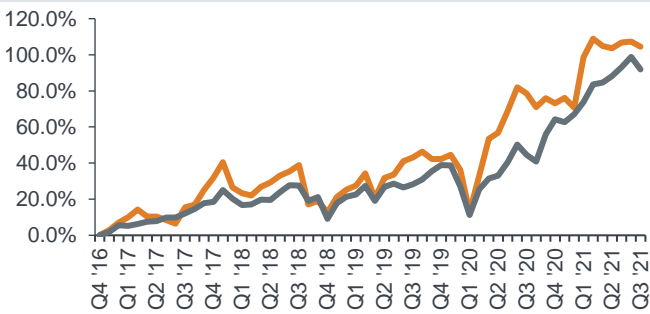
Aerospace Manufacturing Market Cap



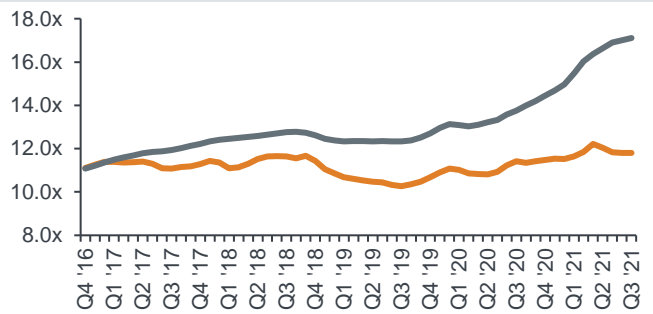
Aerospace Manufacturing EV / EBITDA



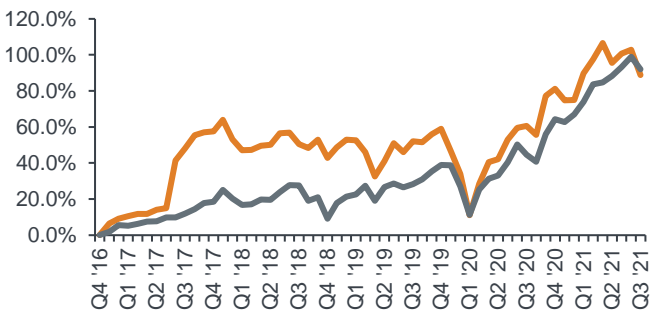
Building Products Market Cap



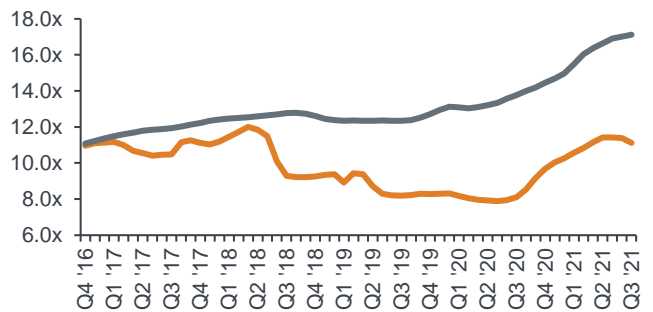
Building Products EV / EBITDA



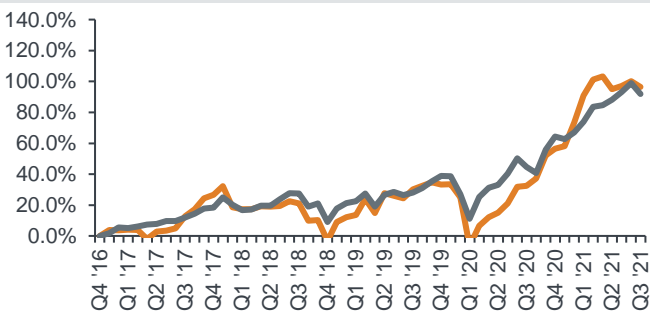
Chemicals Market Cap



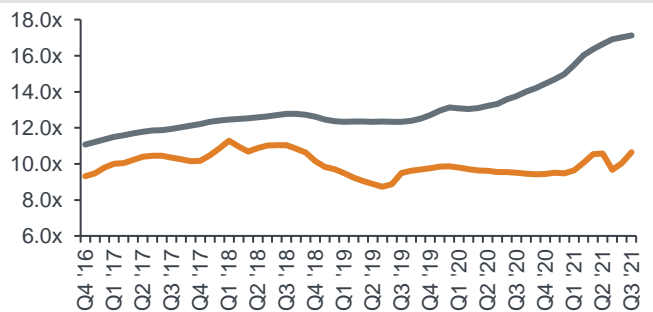
Chemicals EV / EBITDA



Construction Market Cap



Construction EV / EBITDA



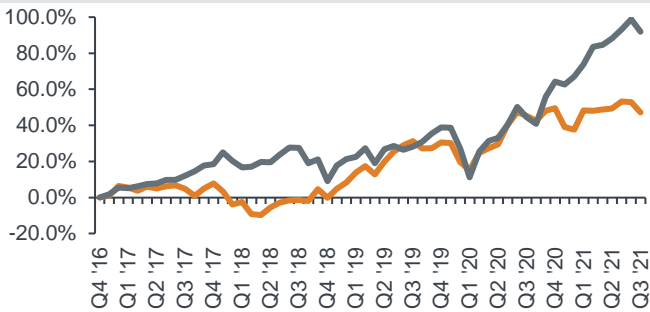
■ I&M Sector
 ■ S&P 500

Data sourced from S&P Capital IQ as of trading on September 30, 2021
Past performance is no guarantee of future results

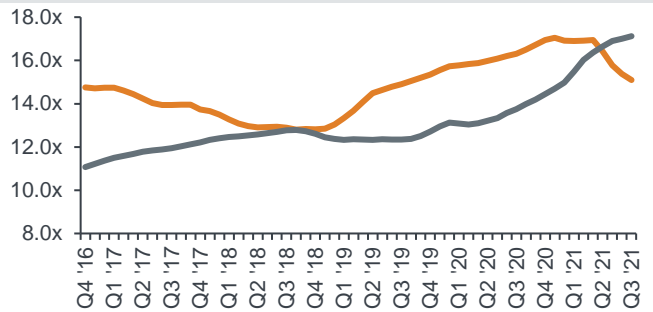
Public Trading Performance by Segment

Industrials & Manufacturing (cont.)

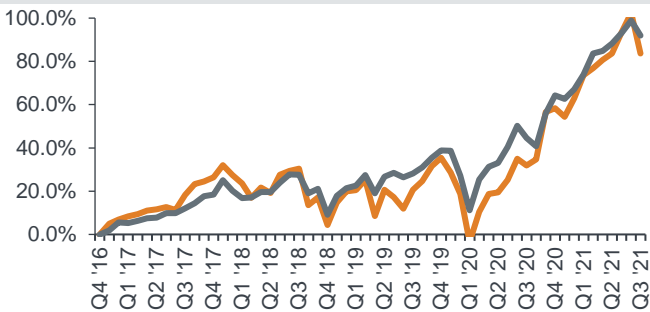
CPG Market Cap



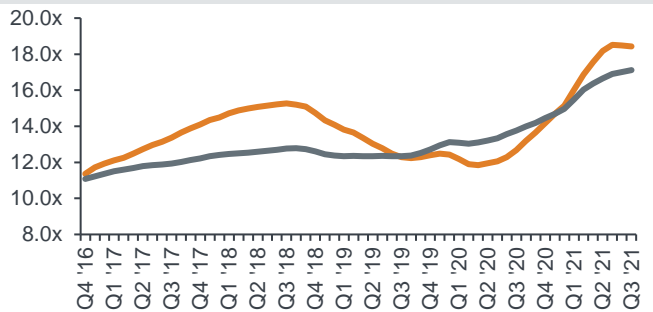
CPG EV / EBITDA



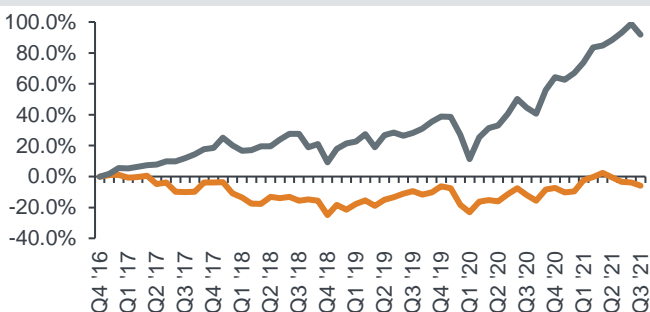
Electrical Equipment Market Cap



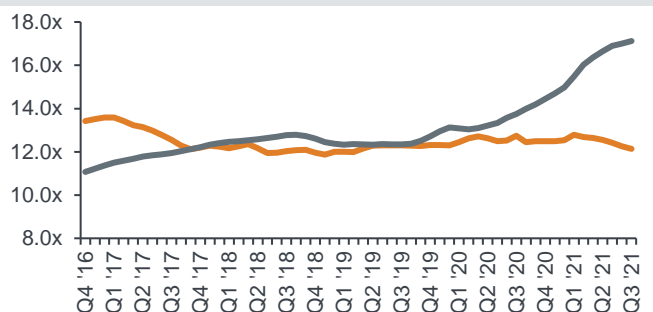
Electrical Equipment EV / EBITDA



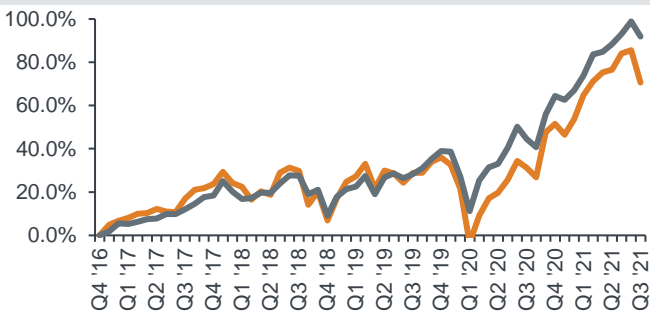
Food Market Cap



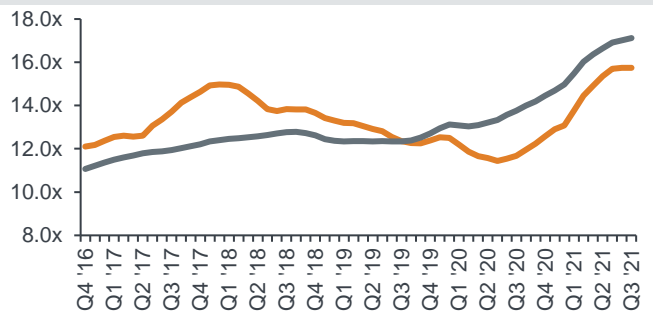
Food EV / EBITDA



Industrial Technology Market Cap



Industrial Technology EV / EBITDA



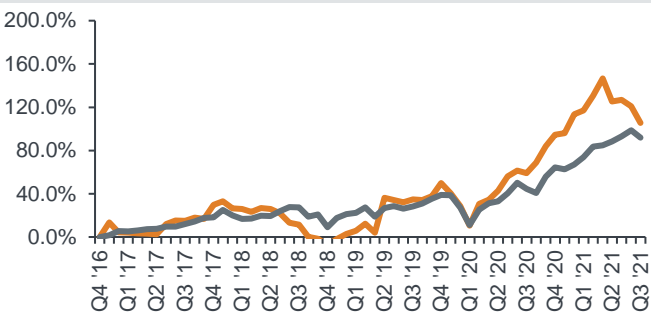
— I&M Sector
 — S&P 500

Data sourced from S&P Capital IQ as of trading on September 30, 2021
Past performance is no guarantee of future results

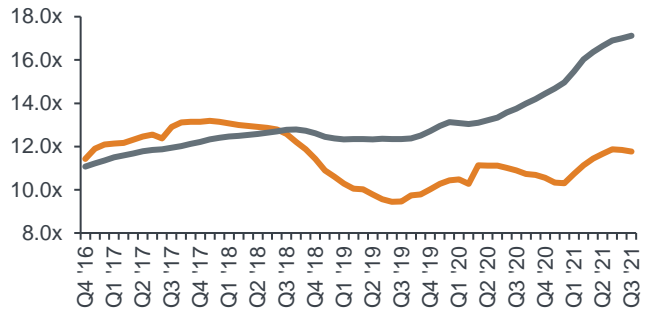
Public Trading Performance by Segment

Industrials & Manufacturing (cont.)

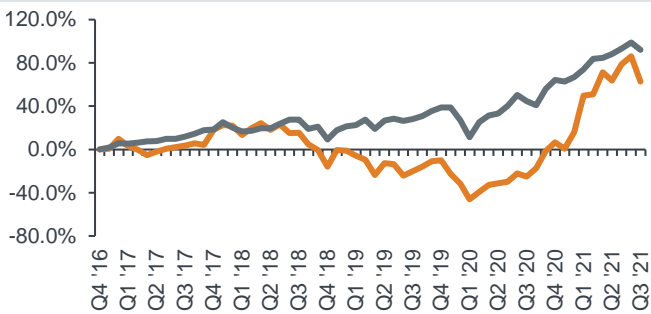
Materials Market Cap



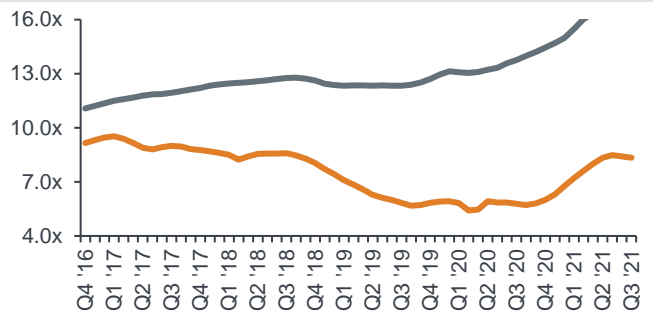
Materials EV / EBITDA



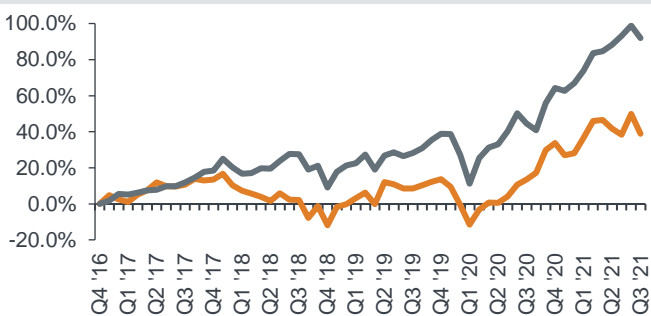
Metals Market Cap



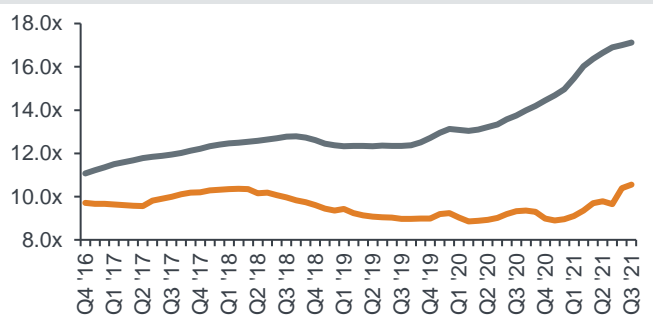
Metals EV / EBITDA



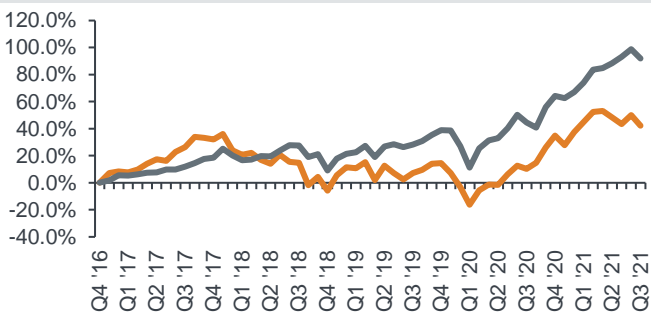
Packaging Market Cap



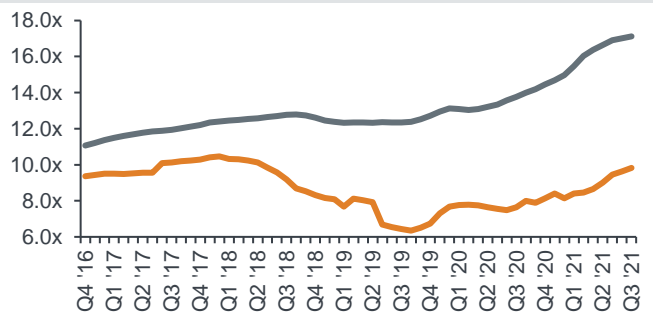
Packaging EV / EBITDA



Plastics Market Cap



Plastics EV / EBITDA



■ I&M Sector
 ■ S&P 500

Data sourced from S&P Capital IQ as of trading on September 30, 2021
Past performance is no guarantee of future results

Select Ongoing G2 Projects

Industrials & Manufacturing

Project Cob

Interim Management

Farm & Industrial Supplier

- **Project Cob** – G2 is focused on driving profitability and liquidity improvements and supporting negotiations with lenders. The Company distributes farm and industrial supplies, offering thousands of name-brand and hard to find products.

Project Harpoon

Sell-Side

Seafood Processor

- **Project Harpoon** – G2 is currently serving as the sell-side advisor to a full-service seafood processing and delivery company. The Company offers a variety of wholesale fish products sourced through auctions in the Northeast and distributed globally via refrigerated trucks and air.

Project Shield

Financing

Steel Products Manufacturing

- **Project Shield** – G2 is currently serving as the financial advisor for a steel product manufacturing plant. The Company is looking to raise both equity and debt financing to capitalize on an opportunity to build a market-leading, state-of-the-art steel plant and become the cost-leader in the industry.

Project Salt

Sell-Side

Nutritional Minerals Manufacturer

- **Project Salt** – G2 is serving as the exclusive sell-side advisor to a manufacturer of mineral ingredients for the nutritional supplement industry. The Company is a leading provider of specialty minerals and chemicals designed to enhance mineral absorption and reduce adverse side effects.

Project Peak

Buy-Side

Provider of Tool Solutions

- **Project Peak** – G2 is currently serving as the buy-side advisor to a tool solutions provider, offering services, new tools, and resale products for the secondary woodworking, composite and metal industries across the U.S. and Canada. G2 is assisting the company's business development team with identifying and executing add-on acquisition opportunities.

Project Coast

Sell-side

Divestiture of Food Manufacturing Plant

- **Project Coast** – G2 is currently advising on the sale of a frozen fruit manufacturing facility. The plant manufactures private label and branded frozen fruit and is a divestiture of a multinational agricultural corporation.

G2 Overview

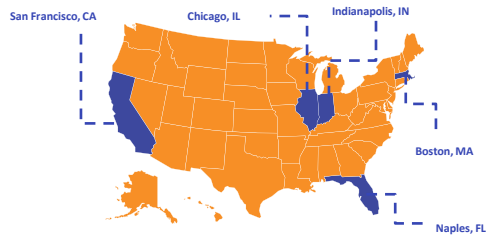
Investment Banking and Restructuring Advisory

G2 Capital Advisors provides C-level led investment banking and restructuring advisory services to middle market institutional investors and companies. G2 offers a comprehensive suite of investment banking services, creating a one-stop shop with non-conflicting strategic alternatives perspectives on what is truly best fit for each client.

Overview:

- 300+ mandates in 10 years
- \$3B+ total executed transaction value
- Extensive industry experience
- Robust strategic and sponsor relationships
- Active touchpoints with logical sellers and buyers

~50 team members across 5 offices



A Multi-faceted Platform:

Focused on crafting bespoke operational and financial advisory solutions for our corporate and investor clients. G2 works with clients across a range of situations.



Sector Expertise:



Transportation & Logistics



Industrials & Manufacturing



Technology & Business Services



Consumer & Retail

T&L Focus Sectors:

- Freight Forwarding
- Trucking / Final Mile
- Warehousing / Distribution
- Third Party Logistics (3PL)
- e-Commerce Fulfillment

I&M Focus Sectors:

- Building Products / Construction
- Metals / Materials
- Container / Packaging
- Niche Manufacturing
- Distribution

TBS Focus Sectors:

- Tech-enabled Services
- BPO
- Managed Services
- Internet & Digital Media
- Business Services

C&R Focus Sectors:

- Fast Moving Consumer Goods
- Retail & E-Commerce
- Quick Serve Restaurants
- Fast Casual Dining
- Marketing Services

G2 offers clients an operational, experience-based approach within each of its practice sectors.

Reference

Contact & Glossary of Terms



Victoria Arrigoni, Managing Director

varrigoni@g2cap.com

781.604.9005



Matt Konkle, Sr. Managing Director

mkonkle@g2cap.com

857.310.5554



Mike Williams, Director

mwilliams@g2cap.com

917.523.2164



Will Luetmer, Sr. Associate

wluetmer@g2cap.com

857.449.0236

Term	Definition
Revenue	Total revenue from the sale of goods and services rendered during the reporting period, in normal course of business, reduced by sales returns and allowances, and sales discounts. For banks, this item is defined as net interest income after loan loss provisions
EBITDA	Earnings before interest, taxes, depreciation, and amortization. Calculated as Revenue – Expenses, excluding interest, taxes, depreciation and amortization
Market Cap	Market value of a company using most recently reported basic weighted average shares outstanding. Calculated as Market Price (as of period end) * Basic Weighted Average Shares Outstanding
Long-Term Debt	Sum of the carrying values as of the balance sheet date of long-term debt with a maturity beyond one year or the normal operating cycle, if longer
Net Debt	Net Debt shows the company's overall debt situation by netting the value of debts with cash and other similar liquid assets. Calculated as Total Debt – Cash & Cash Equivalents and Short Term Investments
Enterprise Value	Enterprise Value represents the combined economic value of a company as of the most recent fiscal year end. Calculated as Diluted Market Capitalization + Total Debt + Minority Interest + Preferred Stock – Cash and Short Term investments
P/E	A valuation ratio of a company stock price compared to its per share earnings. Calculated as Market Price / Earnings per Share for the last annual period
Tangible Book Value	Total Shareholder's Equity – Goodwill and Intangible Assets

For more information about G2, please visit: www.g2cap.com

Our corporate headquarters is located at: **420 Boylston Street, Suite 302, Boston, MA 02116**

Boston | Chicago | Indianapolis | Naples | San Francisco

The information included in this Presentation is not a complete analysis of all material facts regarding any company, industry, or security and does not constitute investment advice. Opinions expressed or implied by the materials here presented reflect only the judgement of its author as of the date of the Presentation and is subject to change without notice. The information in this Presentation has been obtained from sources which G2 generally considers reliable, but we make no representation or warranty, express or implied, as to the accuracy or completeness of any information herein. This Presentation has been prepared for informational purposes only and upon the express understanding that it will be used only for the purposes set forth in the Section captioned G2 Overview above. G2 expressly disclaims any and all liability which may be based on such information, errors therein or omissions there from. **Securities offered through Hollister Associates, LLC, Member FINRA & SIPC. G2 Capital Advisors, LLC and Hollister Associates, LLC are separate and unaffiliated entities.**