



Q4 INDUSTRIALS & MANUFACTURING

Quarterly Industry Newsletter

G2 | CAPITAL ADVISORS

G2 Capital Advisors is pleased to present its Industrials & Manufacturing industry update for Q4 2021, providing commentary and analysis on M&A and market trends within the Industrials & Manufacturing sectors.



G2 Insights



Trading Statistics



Select Q4 2021 Deals



Market Indicators



Active G2 Mandates

G2 Insights

Carbon Capture: The Future or a False Start?

Environmental, Social, and Governance (“ESG”) investing has established itself as a serious investing niche, with global sustainability fund assets almost doubling over the past six months through September to \$3.9T. Encouraged by regulators worldwide eager to show their commitment to tackling wide-ranging equality and environmental issues, investors and companies alike are investing and marketing themselves as responsible and sustainable corporate citizens. However, aggressive climate change targets laid out by the UN Climate Change Conference (COP26) provide aspirational goals unlikely to be met with current trends. Enter carbon capture, an active strategy to achieve net zero emissions targets, particularly for industries unable to cost-effectively reduce emissions. High hopes for Carbon Capture, Utilization, and Storage (“CCUS”) technologies over the past decade have been a litany of false-starts and delays. This time may be different, as the pipeline for global CCUS facilities reached fever pitch in 2021, with 163 projects announced or in development, up from 20 in 2018.

Major companies worldwide are investing in CCUS technologies including direct air capture, extracting CO₂ directly from the atmosphere and storing underground, buoyed by more than \$25B in funds governments worldwide have earmarked for CCUS projects. In 2018, the U.S. passed a CCUS investment stimulus, providing up to \$50 / ton of CO₂ permanently stored, which can be stacked with additional state incentives. Biden’s infrastructure spending bill includes an additional \$12B of support for the nascent industry. Despite significant investment and tailwinds, CCUS has a history of coming up short. Historical limitations in technology have outweighed enthusiasm causing a cascade of false-starts through the early aughts prior to the financial crisis. Despite this, encouraging changes in the investment and regulatory environments, combined with new business models and a global commitment to work towards net-zero climate goals have created an ideal environment for CCUS to achieve its long-awaited potential. CCUS and the continued global energy transition will drive demand across I&M sectors as new technologies, materials, and inputs are required for enhanced storage, compression, processing, and transportation solutions.

In this newsletter, we will demonstrate the impact of renewed investment and focus on CCUS applications for key Industrials and Manufacturing sectors and how the related M&A market has performed in the Q4 2021.

BUILDING PRODUCTS

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Worldwide construction activity accounts for roughly ¼ of greenhouse gas emissions. Concrete is the largest contributor, responsible for 4.5% of greenhouse gas emissions, and 7% of CO₂ emissions in 2019. Technologies focused on decarbonizing the cement and concrete industry stand to collect major windfalls as governments target aggressive climate change goals. In November 2021, the U.S. Department of Energy announced up to \$45MM to support the development of technologies that can transform buildings into net carbon storage structures. Redesigning our approach to building products will provide the most near-term leverage in reducing emissions, through the use of alternative building materials and new technologies. New materials such as cross-laminated timber, and other wood-based products, can act as alternatives to steel and concrete. Wood construction materials emit 20-60% less carbon than typical steel and concrete building materials produced through legacy / non-recycled methods. Other routes to reduce emissions include radical new technologies, such as biocement grown from natural soil bacteria. Achieving decarbonization goals will require effort and progress on both the emissions and carbon capture fronts, with firms at the forefront of new technologies poised to collect outsized rewards.

CHEMICALS

[Click for Article](#)

Carbon capture is only the first step in controlling CO₂ emissions; once the carbon is captured, what do we do with it? Carbon storage and sequestration facilities aim to contain CO₂ in underground formations. CO₂ can be stored as a supercritical fluid, trapped under rock formations, or dissolved into brine water. However, emerging applications for the use of extracted emissions can provide alternative options. Chemicals companies have created processes which synthesize sequestered CO₂ with green hydrogen and refine them into substances like ethylene and propylene, key precursors for plastics production. Resulting plastic products can be used in a wide range of applications and can continue to be recycled, keeping the CO₂ out of the atmosphere.

Source: G2 Insights, The Wall Street Journal, Morningstar, International Energy Agency, Wired Magazine, Food Institute, Plastics Technology

G2 Insights

Carbon Capture: The Future or a False Start?

ELECTRICAL EQUIPMENT

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As Wired Magazine put it, “2021 is the year everyone remembered that chips matter.” Shortages of semiconductors hampered production of goods across the economy, with long lead times to start new fabrication plants ensuring no easy way out of the supply crunch. Control over the production of chips is shaping conflict between the world’s superpowers and custom chip designs are becoming more and more vital to the latest in artificial intelligence, self driving cars, and 5G technology. Today, even basic, gas-powered cars require over 100 chips, while advanced electric vehicles may demand more than 1,000. The huge cost of building new chip fabrications, along with the cyclical nature of the industry meant shortages were severe and wide-ranging. Only three companies worldwide are capable of producing the most advanced chip components; TSMC in Taiwan, Samsung in South Korea, and Intel in the U.S., although American domestic chip making has fallen to 12%, from 37% in 1990. Although the world’s major governments are investing feverishly to secure the future of chip production and supplies, shortages could stretch into 2023 or 2024 as demand shows no signs of slowing.

METALS

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Developments in CCUS applications are prompting legacy oil and gas industry players to rework existing technologies and broaden their use-cases. Major steel pipe manufacturers, whose products are typically used in oil and gas applications (e.g., OCTG), are taking steps to position themselves at the forefront of the CCUS and green hydrogen industries. Seamless OCTG pipes are critical building blocks for CCUS carbon reservoirs, which require high levels of corrosion-resistance. To successfully sequester CO₂, operators need secure, leak-proof transport pipes and strong pipes able to withstand high-pressure injection into underground wells. OCTG pipes also have applications for supporting structures for wind parks and solar farms, which need to withstand severe environmental challenges both on- and off-shore. Major industry players, including Vallourec and Tenaris are making CCUS applications a key focus for product development with an eye on high-growth, environmentally-conscious end-markets.

PACKAGING

[Click for Article](#)

The 2021 holiday season was marked by persistent packaging shortages, driving wild shifts in food and beverage availability, with manufacturers struggling to source materials from abroad. The global packaging industry continues to face supply chain disruptions, with limited supplies of raw materials, combined with sustained labor shortages and lack of cargo container space. Intense shortages for paper-based packaging was driven by increased demand from online retailers and an uptick in takeout activity at restaurants. International Paper noted it absorbed an excess \$50MM of supply chain costs in the prior quarter, with its CEO suggesting no return to normalization before the second half of 2022.

PLASTICS

[Click for Article](#)

After a turbulent year beset by supply chain challenges, extreme weather, and skyrocketing prices, the forecasts for polyethylene and polypropylene resin prices have finally begun to decline. The Texas storms in February of 2021 brought the industry to its knees, affecting the production of almost every resin and feedstock in the region, and ensuring tight supplies through 2021 as demand remained robust. By Q4 of 2021, supply finally began to recover, giving buyers more leverage for contract negotiations going into 2022. Suppliers will start feeling even more pricing pressure in the new year as additional supply comes online, including the new SABIC/ExxonMobil and Shell L/LDPE and HDPE plants and Baystar’s new HDPE plan. Continued growth in material availability has prompted some manufacturers to reduce production, hesitant to erode the excess margins earned from this year’s historic supply and demand imbalance. Overall, 2022 should be a buyer’s market for certain major resin and precursor feedstock, barring of course another extreme weather event or global catastrophe.

Source: G2 Insights, The Wall Street Journal, Morningstar, International Energy Agency, Wired Magazine, Food Institute, Plastics Technology

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	\$7,262	1.8%	3.6%	1.8x	12.4x
Building Products	15	\$6,220	3.1%	2.9%	2.1x	13.3x
Chemicals	20	\$21,327	6.0%	4.7%	1.8x	9.3x
Construction	12	\$6,582	2.4%	1.6%	1.2x	15.0x
CPG	11	\$26,818	1.4%	-2.5%	3.0x	19.0x
Electrical Equipment	11	\$13,128	4.2%	3.8%	3.9x	18.8x
Food	13	\$30,192	1.7%	-0.9%	2.3x	13.4x
Industrial Technology	10	\$41,715	4.1%	5.0%	3.9x	16.8x
Materials	15	\$17,171	4.3%	4.7%	3.7x	12.1x
Metals	12	\$9,592	17.2%	42.5%	0.9x	4.8x
Packaging	13	\$14,415	3.3%	1.8%	1.6x	9.8x
Plastics	12	\$5,847	8.1%	5.4%	1.1x	7.8x

**For complete supporting information, click here.*

¹ LTM Multiples and comparison to December 31, 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 December 31, 2021

Selected Q4 2021 Industry Deals

Industrials & Manufacturing

Several notable transactions have closed or were announced in the Industrials & Manufacturing space through Q4 2021. G2 has outlined select transactions below.

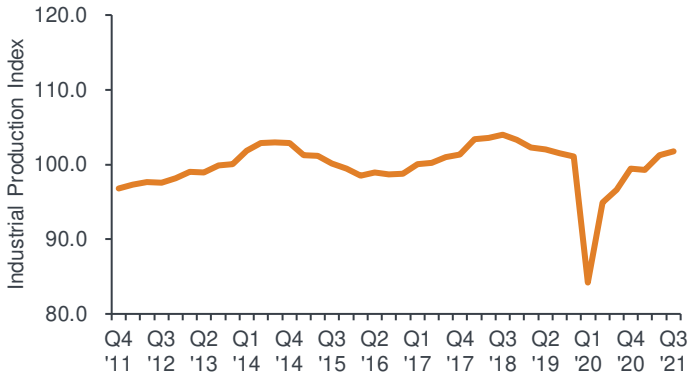
Selected Q4 2021 M&A Transactions					EV / LTM		
Date	Target	Acquirer	Target Description	Enterprise Value	Revenue	EBITDA	
Dec-2021	Dimensional Control Systems, Inc.	Sandvik AB (publ)	Dimensional Control Systems, Inc. develops software for manufacturing industry worldwide.	-	-	-	
Dec-2021	Carbide Tools Mfg, Inc.	GWS Tool Group	Carbide Tools Mfg, Inc. manufactures and supplies carbide round tools.	-	-	-	
Dec-2021	Hunter Fan Company	The Ames Companies, Inc.	Hunter Fan Company manufactures fans for homes.	\$845.0	2.3x	9.8x	
Dec-2021	Hexion Holdings Corporation	American Securities LLC	Hexion Holdings Corporation, through its subsidiaries, produces and sells adhesives and performance materials in the United States, Canada, Europe, Asia, Latin America, Australia, and New Zealand.	\$3,332.6	1.2x	8.5x	
Dec-2021	Henkels & McCoy Group, Inc.	MasTec, Inc.	Henkels & McCoy Group, Inc., through its subsidiaries, operates as an infrastructure engineering and construction company.	\$593.0	-	8.5x	
Dec-2021	Arcadia Incorporated	DMC Korea Inc.	Arcadia Incorporated manufactures architectural building products.	\$470.9	1.9x	8.6x	
Dec-2021	Clover Stornetta Farms, Inc.	Alpina Productos Alimenticios S.A.	Clover Stornetta Farms, Inc. processes, produces, and distributes a range of dairy products.	\$200.0	0.8x	-	
Dec-2021	Private Label Dry Pet Food Business and Manufacturing Facility of The J. M. Smucker Company	Schell & Kampeter, Inc.	As of December 1, 2021, Private Label Dry Pet Food Business and Manufacturing Facility of The J. M. Smucker Company was acquired by Schell & Kampeter, Inc. Private Label Dry Pet Food Business and Manufacturing Facility of The J. M. Smucker Company comprises pet food business and manufacturing facility.	\$33.0	0.3x	-	
Nov-2021	GWS Tool Holdings, LLC	Sandvik AB (publ)	GWS Tool Holdings, LLC operates in manufacturing industry.	-	-	-	
Nov-2021	Union Corrugating Company	Cornerstone Building Brands, Inc.	Union Corrugating Company manufactures and markets metal roofing products, supplies, and wall systems for residential, commercial, and agricultural roofing and siding markets.	-	-	-	
Nov-2021	Boyd Metals, Inc.	Russel Metals Inc.	Boyd Metals, Inc. operates as a metal service center for customers in Arkansas, Missouri, Kansas, Oklahoma, and Texas.	\$110.0	0.5x	2.8x	
Nov-2021	Millennial Lithium Corp.	Lithium Americas Corp.	Millennial Lithium Corp. engages in the acquisition, exploration, and development of lithium mineral properties.	\$350.3	-	NM	
Oct-2021	Adhesive Resins business of Eastman Chemical Company	Synthomer plc	Adhesive Resins business of Eastman Chemical Company comprises adhesive resins manufacturing business.	\$1,000.0	1.7x	10.3x	
Oct-2021	Weston Foods Fresh and Frozen Bakery Businesses of George Weston Limited	FGF Brands Inc.	As of December 10, 2021, Weston Foods Fresh and Frozen Bakery Businesses of George Weston Limited was acquired by FGF Brands Inc..	\$888.7	-	-	

Source: G2 Insights, S&P Capital IQ

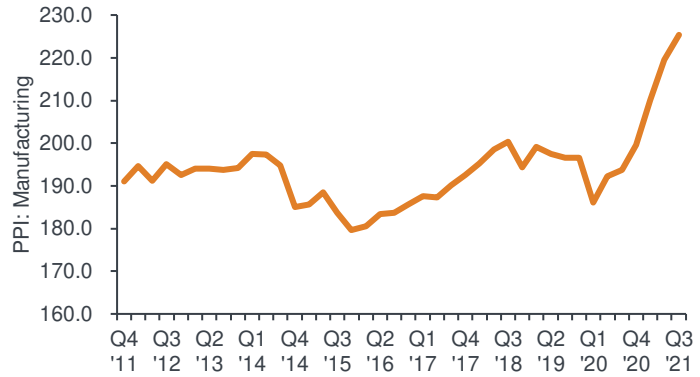
Market Indicators

Industrials & Manufacturing

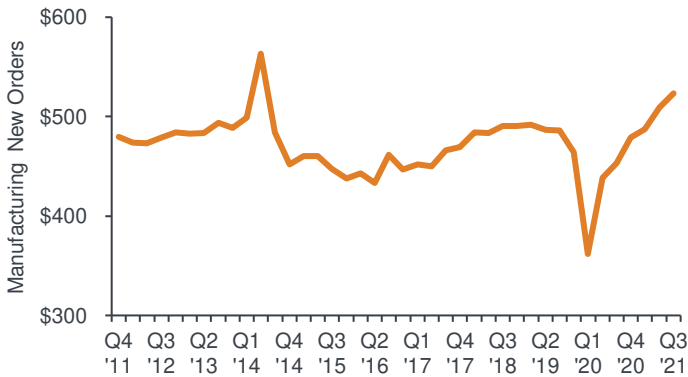
Industrial Production Index



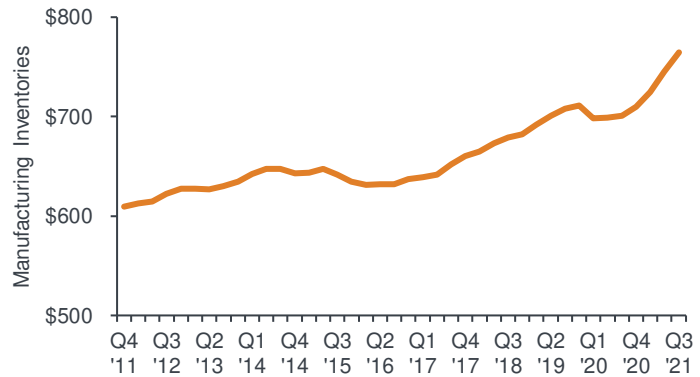
Producer Price Index: Manufacturing



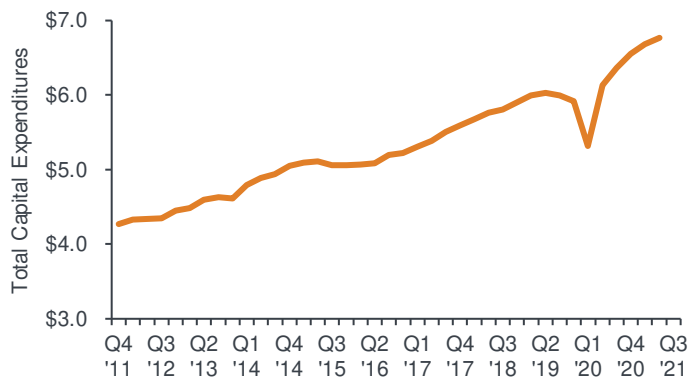
Manufacturing New Orders (\$B)



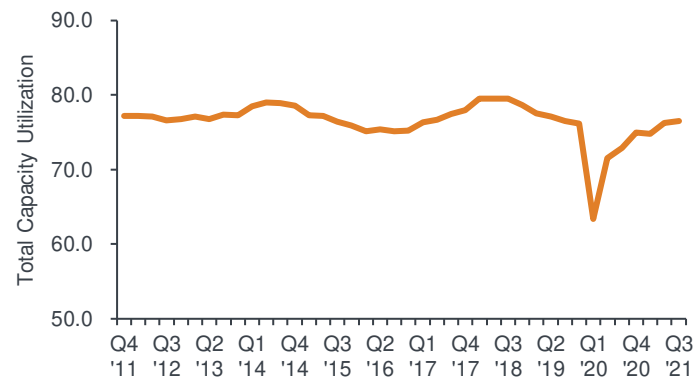
Manufacturing Total Inventories (\$B)



Total Capital Expenditures (\$TN)



Total Capacity Utilization

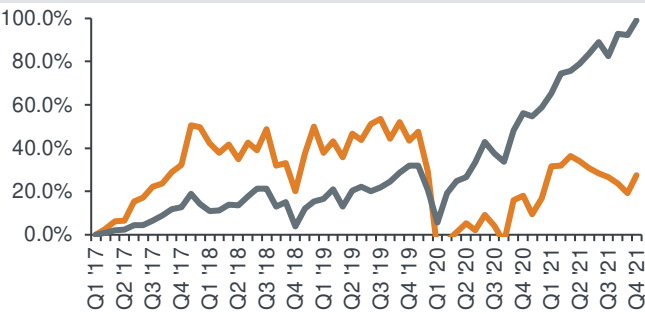


Data sourced through Federal Reserve Economic Data

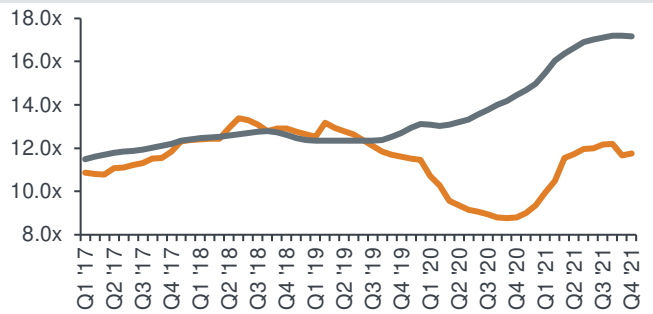
Public Trading Performance by Segment

Industrials & Manufacturing

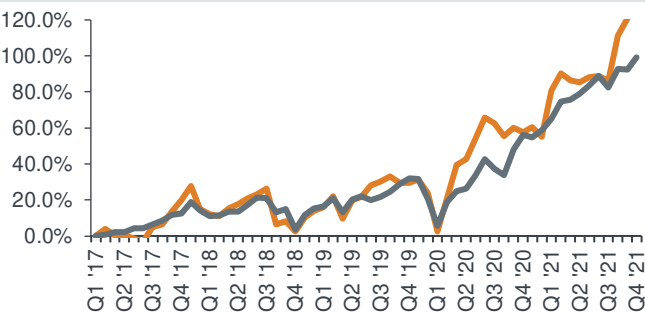
Aerospace Manufacturing Market Cap



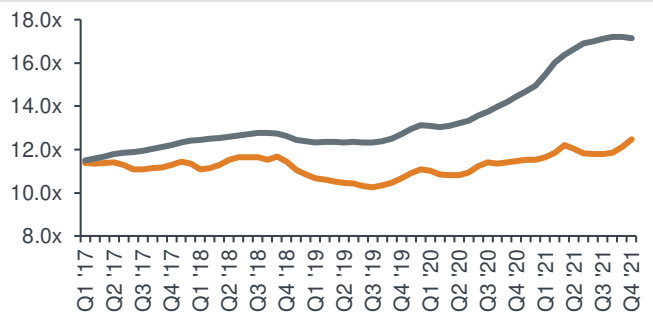
Aerospace Manufacturing EV / EBITDA



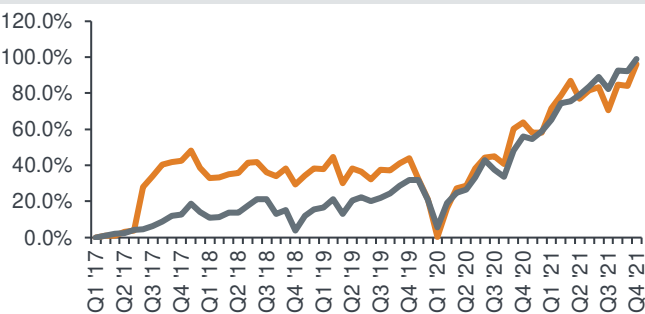
Building Products Market Cap



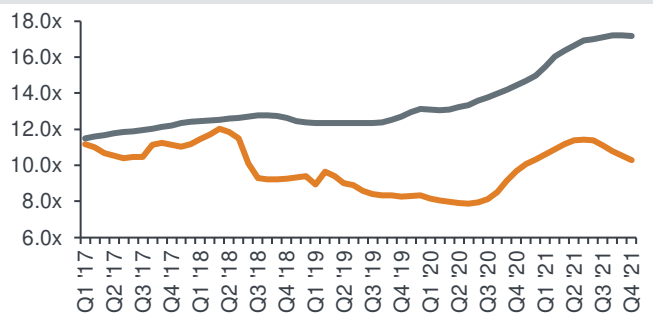
Building Products EV / EBITDA



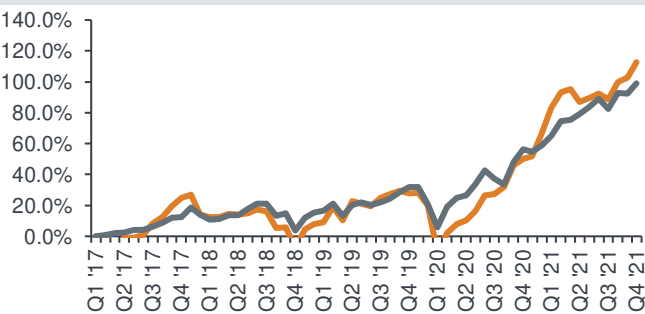
Chemicals Market Cap



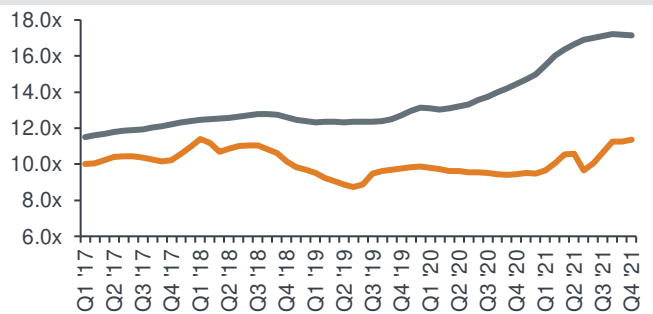
Chemicals EV / EBITDA



Construction Market Cap



Construction EV / EBITDA



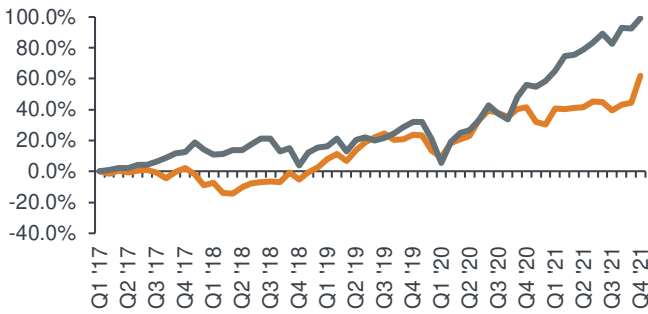
I&M Sector S&P 500

Data sourced from S&P Capital IQ as of trading on December 31, 2021
Past performance is no guarantee of future results

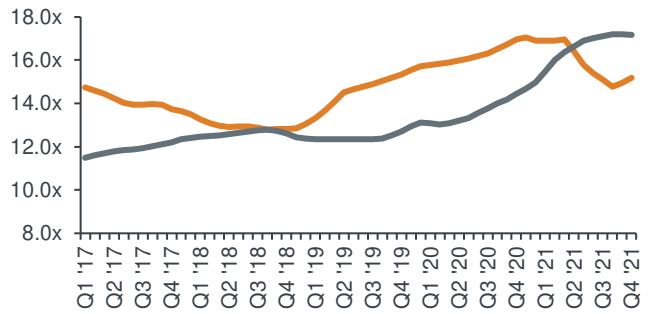
Public Trading Performance by Segment

Industrials & Manufacturing (cont.)

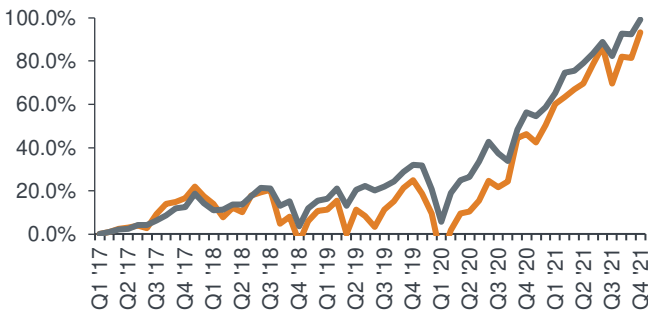
CPG Market Cap



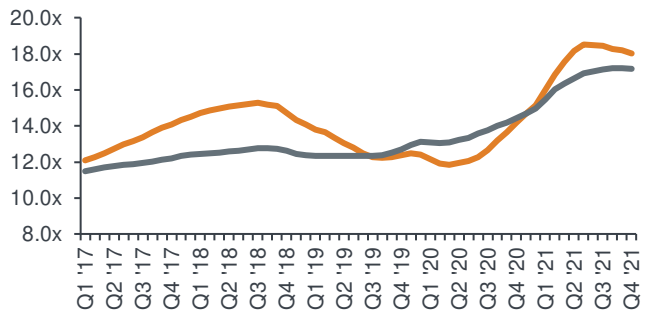
CPG EV / EBITDA



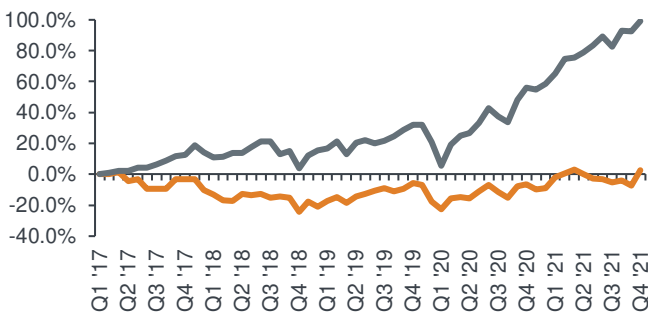
Electrical Equipment Market Cap



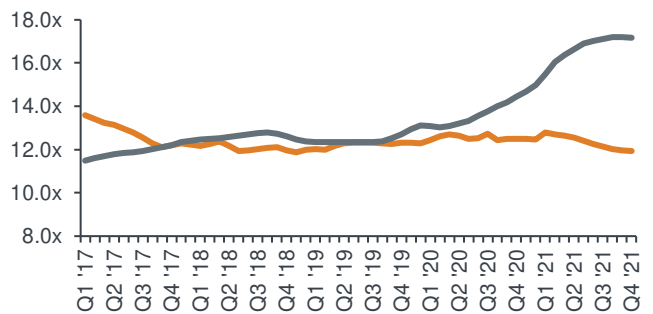
Electrical Equipment EV / EBITDA



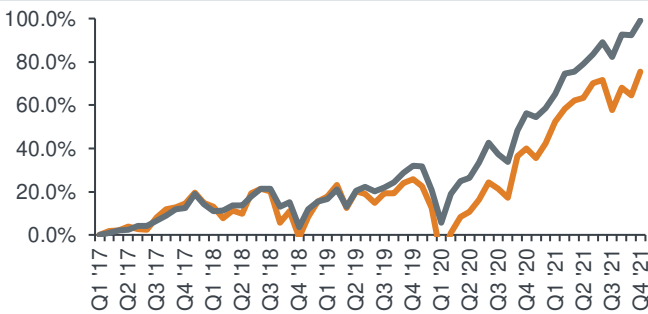
Food Market Cap



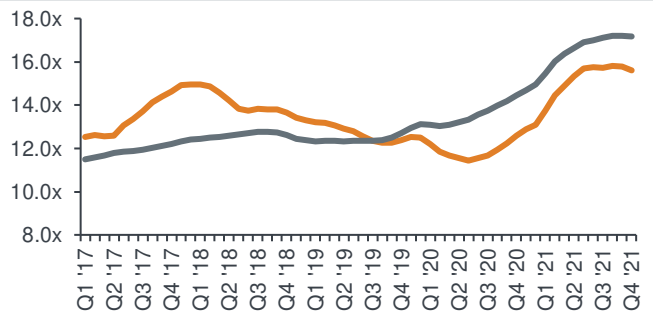
Food EV / EBITDA



Industrial Technology Market Cap



Industrial Technology EV / EBITDA



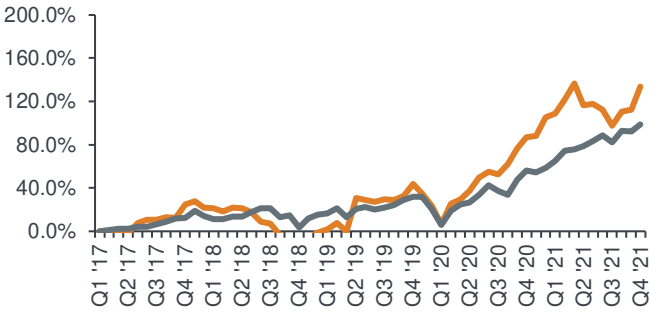
■ I&M Sector
 ■ S&P 500

Data sourced from S&P Capital IQ as of trading on December 31, 2021
Past performance is no guarantee of future results

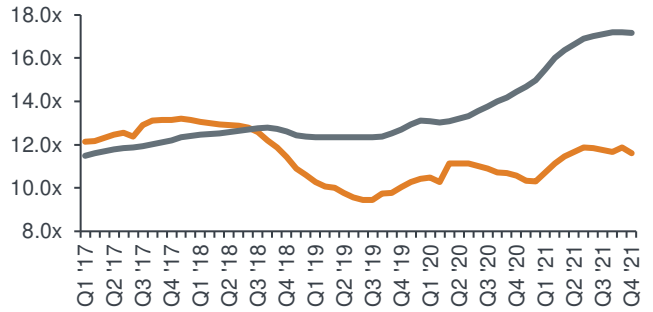
Public Trading Performance by Segment

Industrials & Manufacturing (cont.)

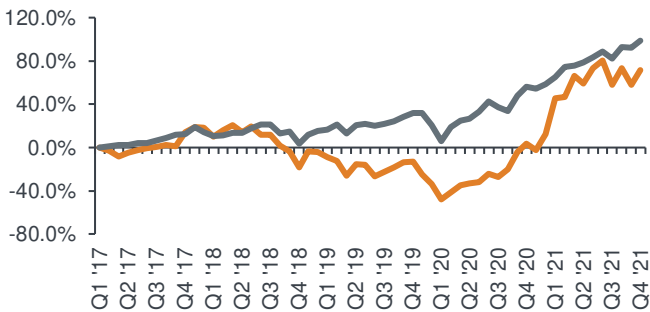
Materials Market Cap



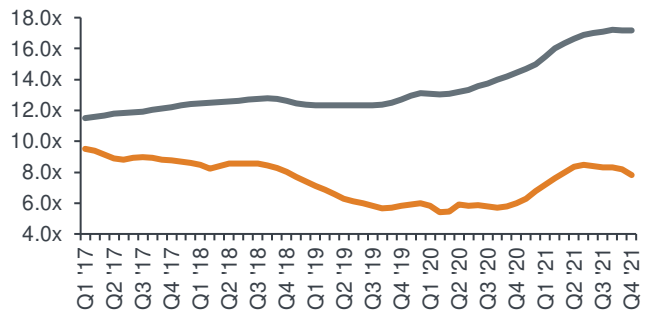
Materials EV / EBITDA



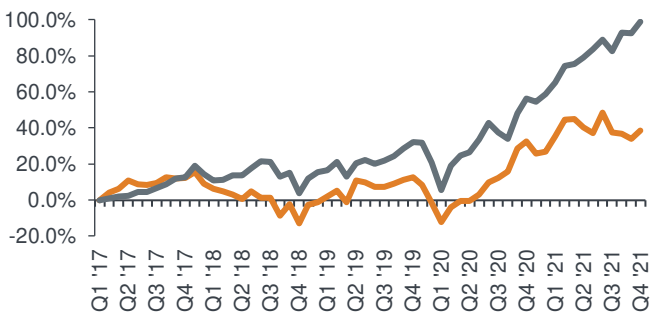
Metals Market Cap



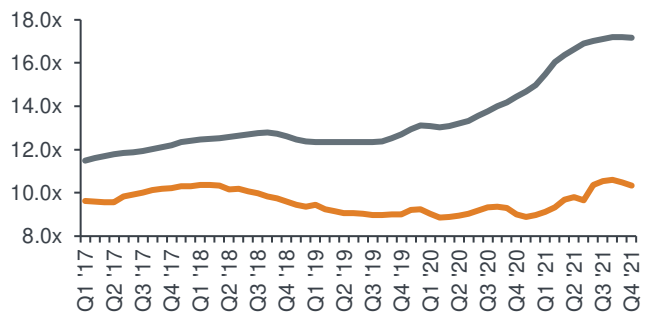
Metals EV / EBITDA



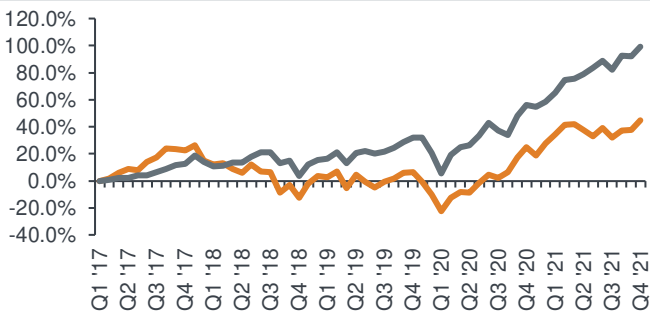
Packaging Market Cap



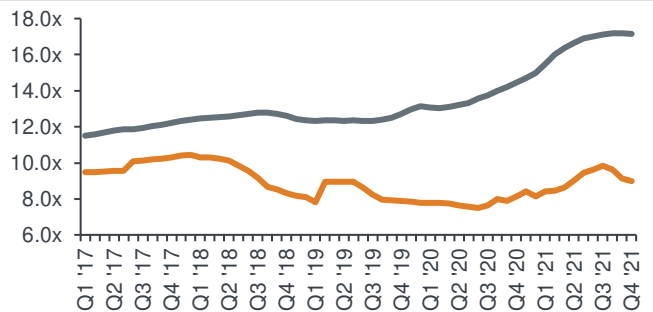
Packaging EV / EBITDA



Plastics Market Cap



Plastics EV / EBITDA



■ I&M Sector
 ■ S&P 500

Data sourced from S&P Capital IQ as of trading on December 31, 2021
Past performance is no guarantee of future results

Select Ongoing G2 Projects

Industrials & Manufacturing

Project Cob

Interim Management

Agricultural Products Distributor

- **Project Cob** – G2 is focused on driving profitability and liquidity improvements. 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 Raptor

Financing

Aviation Services and MRO
Provider

- **Project Raptor** – G2 is currently serving as the financial advisor for a provider of airlift support services. The Company serves a diverse customer base of government, institutional, and commercial clients with niche specialty in expeditionary and contingency air operations in challenging operating environments. The Company is looking to raise debt capital to provide dry powder for growth investments.

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

Frozen Food Processor, Packager,
and Distributor

- **Project Coast** – G2 is currently advising on the sale of a frozen processor, packager, and distributor. The company processes and packages private label and branded frozen fruit and is a divestiture of a multinational agricultural corporation.

G2 Overview

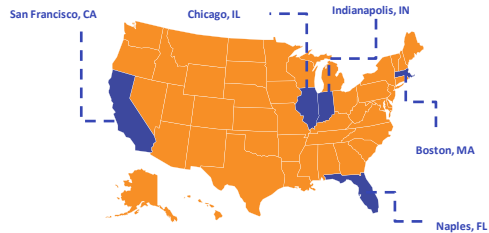
Investment Banking and Restructuring Advisory

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



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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

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