

INDUSTRIALS & MANUFACTURING

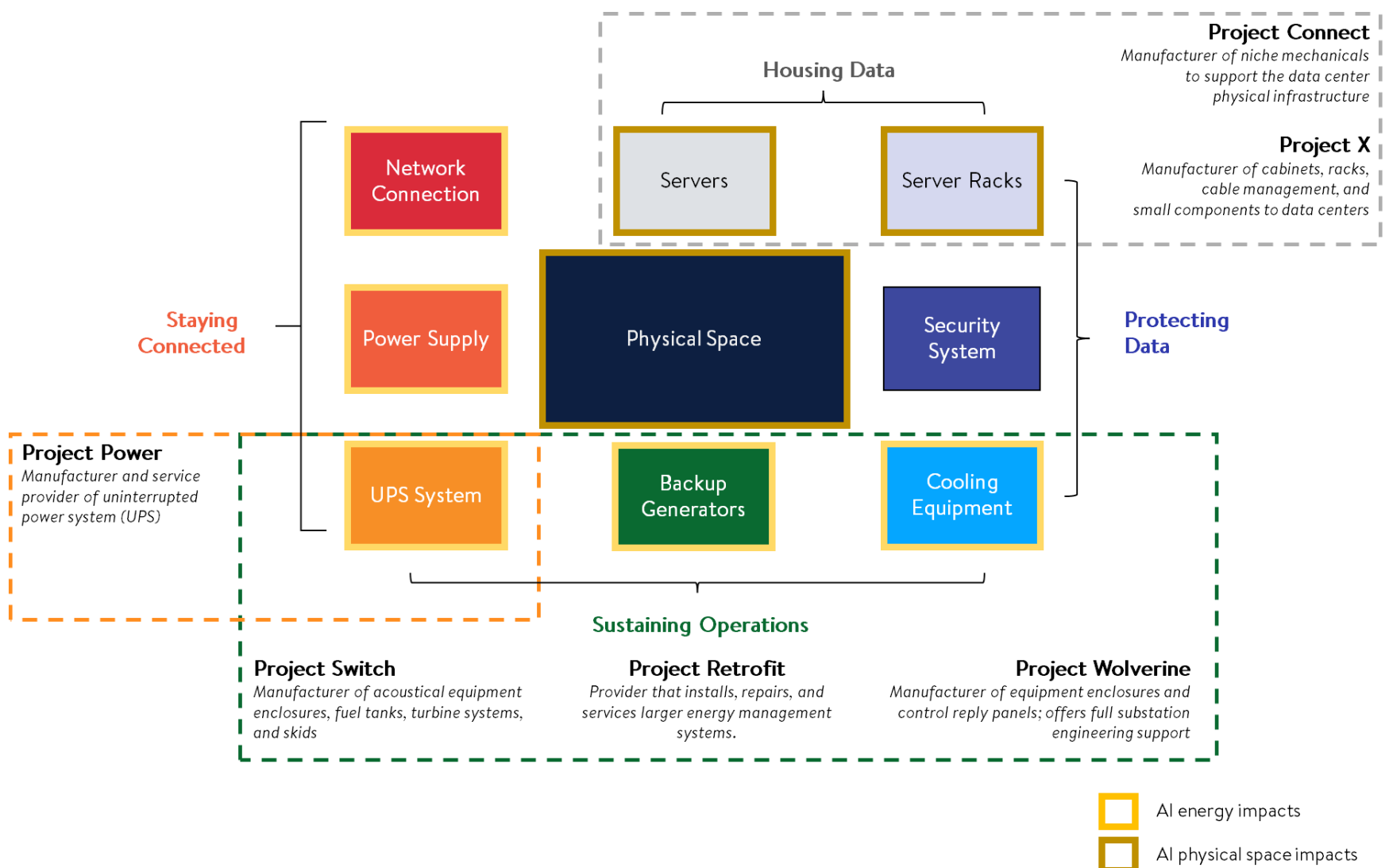
Q1 2024 MARKET UPDATE

Data Center Boom: Opportunities for Industrial & Manufacturing (I&M) Firms

Data centers are the physical backbone of today’s digital revolution, providing an infrastructure to support surging cloud computing, big data analytics, and artificial intelligence advances. For investors seeking an early position in a long-cycle growth area, data centers are an attractive option.

Various sectors and stakeholders contribute to the outfitting and operation of a data center—from manufacturers to servicers to utility companies to municipalities. Here, we will break down the essential elements of the physical hub, spotlight artificial intelligence(AI)-impact areas, and highlight G2’s experience across the environment:

Figure 1: Mapping Data Center Expertise



Source: G2 Capital Advisors as of April 15, 2024

INDUSTRIALS & MANUFACTURING

Q1 2024 MARKET UPDATE

I&M investors and operators have the critical role of producing the products that sustain data center operations through:

- 1. Continuity:** Data center failure can be catastrophic, halting financial markets and disrupting healthcare systems. Uninterrupted power systems (UPS) and backup generators ensure a constant power supply. By delivering short-term backup power from batteries or flywheels, UPS systems provide instantaneous protection from outages, voltage sags, surges, and frequency variations. Managing longer-term power grid failures, backup generators produce electricity using internal combustion engines fueled by diesel, natural gas, or other fuel to keep data centers running.
- 2. Cooling Systems:** Due to always-on servers, storage devices, and networking equipment, data centers are notorious energy consumers and generators of heat. To prevent overheating and associated hazards—from downtime to data loss to hardware failure to fire—HVAC and cooling solutions are essential. Tailored to the unique requirements of data centers, these systems play a pivotal role in ensuring infrastructure reliability and longevity.
- 3. Cutting-Edge Components:** Smart hardware solutions, including high-performance switches, servers, storage arrays, and networking equipment, empower data center operators to meet evolving digital demands. The companies developing these components are leveling up the basics by incorporating advanced features such as virtualization support, automation capabilities, and predictive analytics. As a result, data centers gain greater efficiency, agility, and responsiveness to changing business needs.

The AI Impact

Traditional data centers are not built to support AI's computational intensity. To accommodate AI workloads, data center operators need to expand the IT infrastructure, adding more power, thermal management—such as multi-benefit liquid cooling systems—physical space, specialized racks, and water. With enterprise AI applications being developed in every field, data center upgrades are inevitable and could cost \$76 billion annually by 2028.ⁱ

I&M sector stakeholders can capture capex flow by supporting energy efficiency and redundancy as well as build environment needs (see Figure 1).

INDUSTRIALS & MANUFACTURING

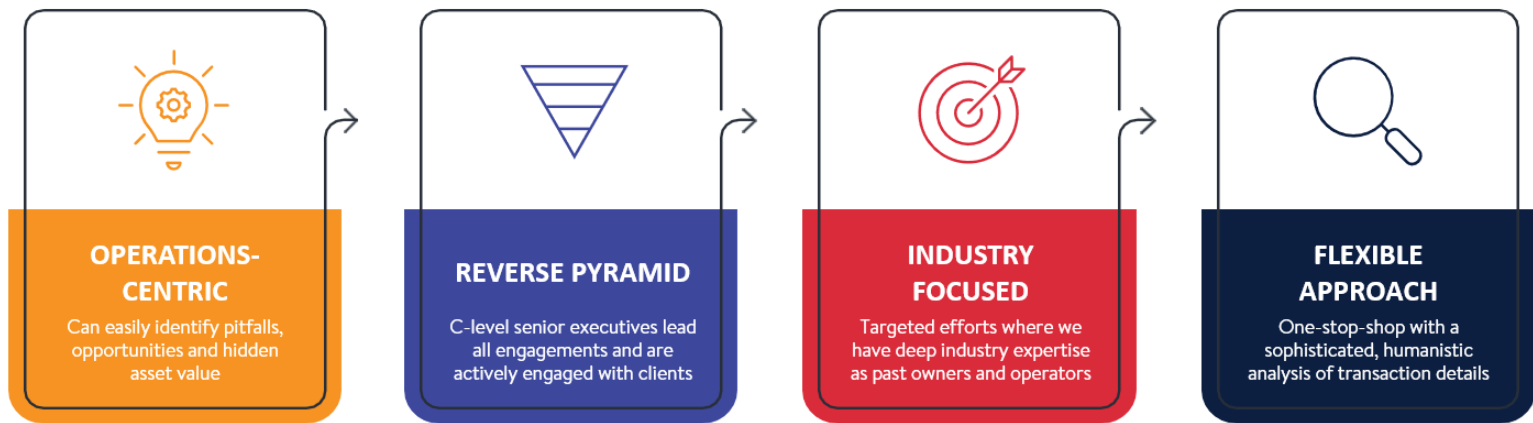
Q1 2024 MARKET UPDATE

By 2030, U.S. data centers are projected to absorb 35 gigawatts (GW), more than twice the 17GW total in 2022.ⁱⁱ This will require more data center capacity and, ultimately, construction.

Players in the I&M sector should prepare for an increase in data center usage, a spike in facility development, and a knock-on need for the advanced products that make them run.

By investing in and enhancing continuity, cooling systems, and cutting-edge components, historically analog I&M firms are driving innovation and efficiency in the digital economy.

At G2, we can support investors and operators eager to participate in the data center market. Combining our sector banking depth with our capital markets expertise, we can help clients gain industry insight and secure the capital needed to thrive in this dynamic and growing space.



Standard Financial Advisor

Finance-centric with limited understanding of company operations.

Junior staff pulling most of the weight - little executive engagement

Generalists with little emphasis on specialized expertise.

A cookie-cutter model with a lack of creativity for varied client situations



DISTRIBUTION



CONTAINERS / PACKAGING



METALS / MATERIALS



NICHE MANUFACTURING



BUILDING PRODUCTS

ⁱ Morrison, A. [How AI growth has triggered data center redesign](#). (2024, April 6). Data Science Central.

ⁱⁱ [2023 U.S. Data Center Market Overview & Market Clusters](#). (2024, January 10). Newmark.

SELECT ONGOING G2 PROJECTS

Industrial Distribution

PROJECT SIGN

Buy-Side

About the Mandate:

G2 is currently serving as the buy-side advisor to a manufacturer and distributor of safety signs and other solutions. G2 is assisting the company with acquisition opportunities in the North American market.

Vertically Integrated
Construction

PROJECT BRIDGE

Sell-Side

About the Mandate:

G2 is currently serving as the sell-side advisor to a vertically-integrated heavy highway civil construction firm serving public and private customers across the Northeastern U.S. The Company's operational model delivers hard to replicate competitive advantages

Paper & Packaging

PROJECT MOOSE

Buy-Side

About the Mandate:

G2 is currently serving as the buy-side advisor to a leading provider of corrugated packaging solutions. The company develops and sells fully integrated packaging solutions including corrugated packaging, flexible packaging, retail displays, and recycling services.

Commercial HVAC Design Build

PROJECT GLACIER

Sell-Side

About the Mandate:

G2 is currently advising on the sale of a provider of design, build, and construction services for large, commercial HVAC projects. The Company designs and manufactures complex HVAC solutions for industries including healthcare, retail, educational, and hospitality

Food Manufacturing Plant

PROJECT COAST

Sell-Side

About the Mandate:

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.

Steel Products Manufacturing

PROJECT SHIELD

Financing

About the Mandate:

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.

KEY I&M TRADING STATISTICS

| Sector | Number of Companies | Median Enterprise Value (\$MM) | LTM ¹ | | | |
|-------------------------|---------------------|--------------------------------|-----------------------|----------------------|--------------|-------------|
| | | | Median Revenue Growth | Median EBITDA Growth | EV / Revenue | EV / EBITDA |
| Aerospace Manufacturing | 17 | \$9,905 | 2.7% | 4.5% | 1.9x | 14.5x |
| Building Products | 14 | \$8,939 | 0.3% | 1.3% | 1.9x | 12.2x |
| Chemicals | 18 | \$27,212 | -1.3% | 1.2% | 1.9x | 14.4x |
| Construction | 11 | \$10,234 | 2.3% | -4.4% | 1.1x | 16.6x |
| CPG | 11 | \$27,703 | -0.1% | 4.8% | 2.6x | 15.7x |
| Electrical Equipment | 11 | \$24,235 | 1.4% | 1.4% | 4.0x | 17.2x |
| Food | 13 | \$26,016 | 0.1% | 0.0% | 1.9x | 12.6x |
| Industrial Technology | 10 | \$50,685 | 0.7% | -0.1% | 4.5x | 17.2x |
| Materials | 15 | \$11,776 | -0.6% | 0.5% | 3.9x | 14.7x |
| Metals | 11 | \$10,652 | -1.1% | -6.0% | 0.8x | 6.8x |
| Packaging | 12 | \$16,213 | -1.3% | -0.6% | 1.4x | 8.8x |
| Plastics | 11 | \$2,241 | -2.7% | -0.2% | 1.1x | 9.0x |

1) LTM March 31, 2024
Source: S&P Capital IQ

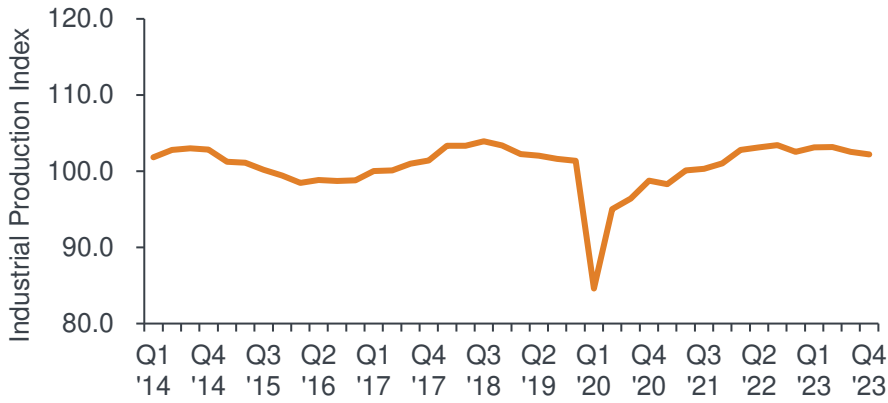
Q1 2024 M&A TRANSACTIONS

| DATE | ACQUIRER | TARGET | DESCRIPTION | ENTERPRISE VALUE | REVENUE | EBITDA |
|----------|-----------------------------------|--|---|------------------|---------|--------|
| Mar-2024 | RHI Magnesita N.V. | Resco Products, Inc. | Resco Products, Inc. designs and manufactures refractory products for various industries in the United States and internationally. | \$280.4 | - | - |
| Mar-2024 | Cornerstone Building Brands, Inc. | Harvey Industries, Inc. | Harvey Industries, Inc., doing business as Harvey Building Products, manufactures and distributes building products. | - | - | - |
| Mar-2024 | Superior Paving Corp. | Asphalt division of Boxley Materials Company, Inc. | As of March 15, 2024, Asphalt division of Boxley Materials Company, Inc. was acquired by Superior Paving Corp. Asphalt division of Boxley Materials Company, Inc. comprises three asphalt plants. | - | - | - |
| Mar-2024 | MiddleGround Management, LP | The L.S. Starrett Company | The L.S. Starrett Company and its subsidiaries make and sell measuring, cutting tools, and related products in North America, Brazil, and China. | \$130.4 | 0.5x | 4.0x |
| Mar-2024 | CEMC Services, LLC | Ameron Pole Products LLC | Ameron Pole Products LLC manufactures and sales of poles for street lighting and traffic control. | \$180.0 | 1.9x | 9.0x |
| Mar-2024 | Breedon Group plc | BMC Enterprises, Inc. | BMC Enterprises, Inc. produces concrete and related products. | \$300.5 | 1.7x | 8.5x |
| Mar-2024 | MNC Capital Partners, L.P. | Vista Outdoor Inc. | Vista Outdoor Inc. designs, manufactures, and markets outdoor recreation and shooting sports products. | \$3,100.9 | 1.1x | 7.3x |
| Feb-2024 | Owens Corning | Masonite International Corporation | Masonite International Corporation designs, makes, markets, and distributes interior and exterior doors worldwide for residential and non-residential construction. | \$4,252.4 | 1.5x | 8.5x |
| Feb-2024 | North American Stainless, Inc. | Haynes International, Inc. | Haynes International, Inc. develops, manufactures, and distributes nickel and cobalt-based alloys globally in various forms. | \$904.1 | 1.5x | 11.4x |
| Feb-2024 | Comfort Systems USA, Inc. | J & S Mechanical Contractors, Inc. | J & S Mechanical Contractors, Inc. offers mechanical construction services to commercial and industrial sectors in the Mountain West. | - | - | - |
| Jan-2024 | Amphenol Corporation | Carlisle Interconnect Technologies Inc. | Carlisle Interconnect Technologies Inc. designs, manufactures, and distributes wire and cable products. | \$2,025.0 | - | - |
| Jan-2024 | Kadant Inc. | KWS Manufacturing Company, Ltd. | KWS Manufacturing Company, Ltd. designs and manufactures conveying equipment for the bulk material handling industry. | \$84.0 | 1.9x | 9.4x |
| Jan-2024 | Arline Investment Management LP | Kaman Corporation | Kaman Corporation, together with its subsidiaries, operates in the aerospace, defense, medical, and industrial markets. | \$1,874.5 | 2.4x | 17.1x |
| Jan-2024 | Martin Marietta Materials, Inc. | Albert Frei & Sons, Inc. | As of January 12, 2024, Albert Frei & Sons, Inc. was acquired by Martin Marietta Materials, Inc. Albert Frei & Sons, Inc. engages in the production of quarry rock, sand, and gravel. | - | - | - |
| Jan-2024 | Renesas Electronics Corporation | Transphorm, Inc. | Transphorm, Inc. develops and sells gallium nitride (GaN) semiconductor components for high voltage power conversion globally. | \$337.2 | 18.0x | - |
| Jan-2024 | Integer Holdings Corporation | Pulse Technologies, Inc. | Pulse Technologies, Inc. provides contract manufacturing services. | \$158.2 | - | - |
| Jan-2024 | Ferguson plc | Grove Supply, Inc. | Grove Supply, Inc. distributes plumbing, heating, and HVAC products. | - | - | - |
| Jan-2024 | MITER Brands | PGT Innovations, Inc. | PGT Innovations, Inc., together with its subsidiaries, engages in the manufacture and supply of impact-resistant aluminum frame windows and doors in the United States and internationally. | \$3,164.2 | 2.1x | 11.2x |

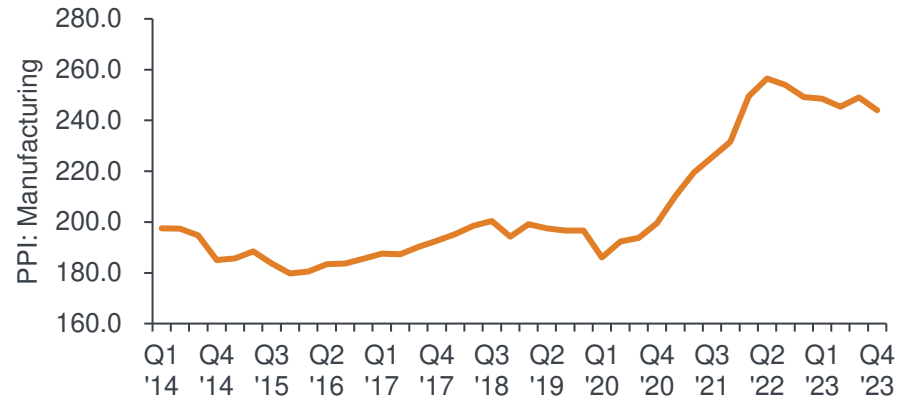
Source: S&P Capital IQ, company websites

MARKET INDICATORS

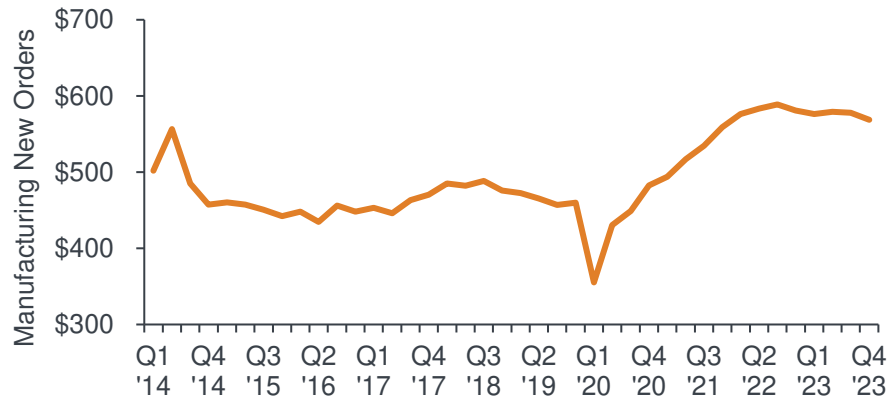
Industrial Production Index



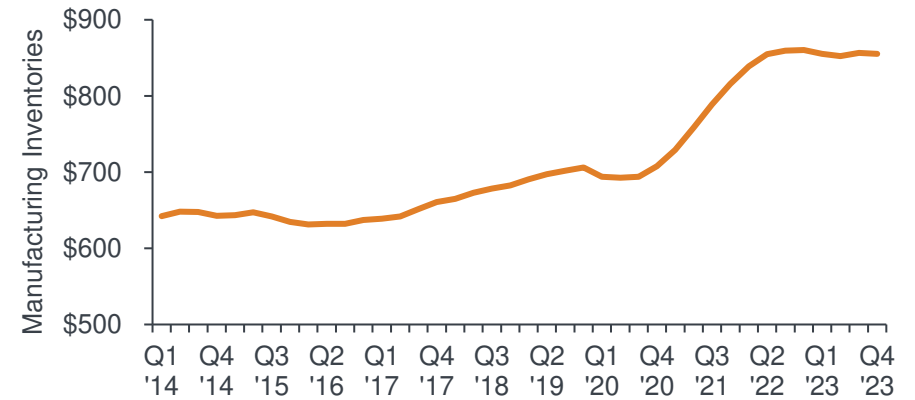
Producer Price Index: Manufacturing



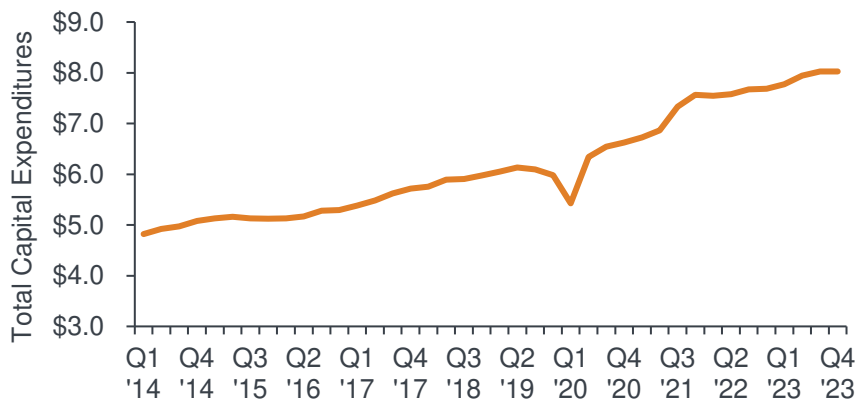
Manufacturing New Orders (\$B)



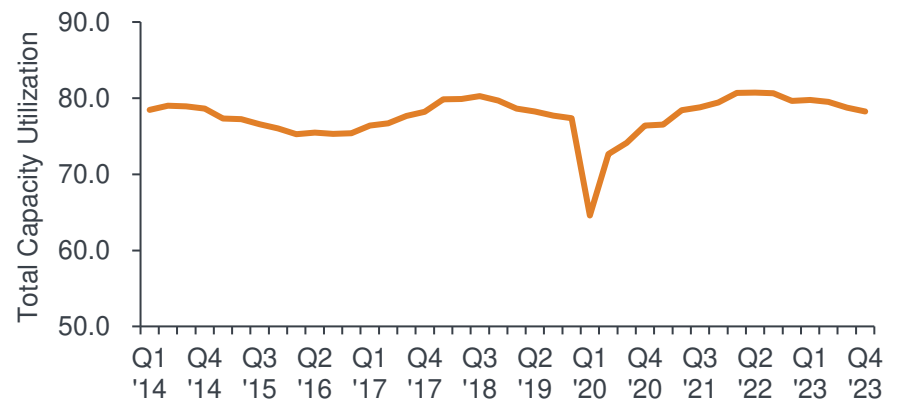
Manufacturing Total Inventories (\$B)



Total Capital Expenditures (\$TN)



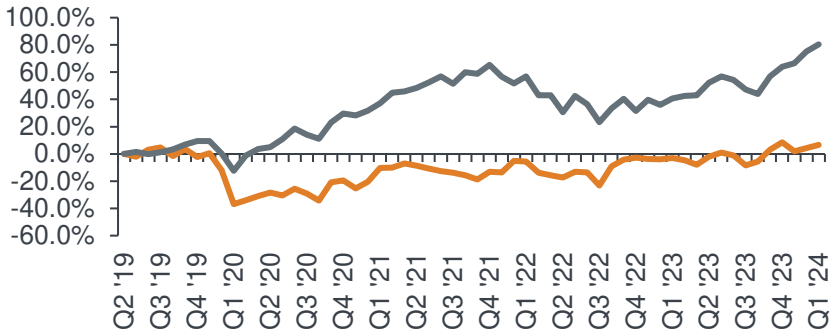
Total Capacity Utilization



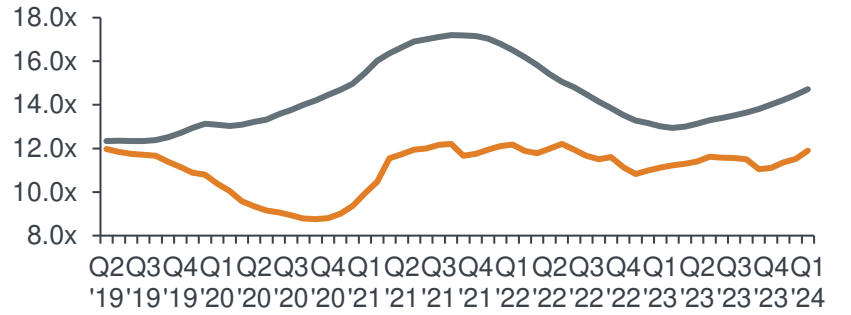
Source: Federal Reserve Economic Data

MARKET INDICATORS

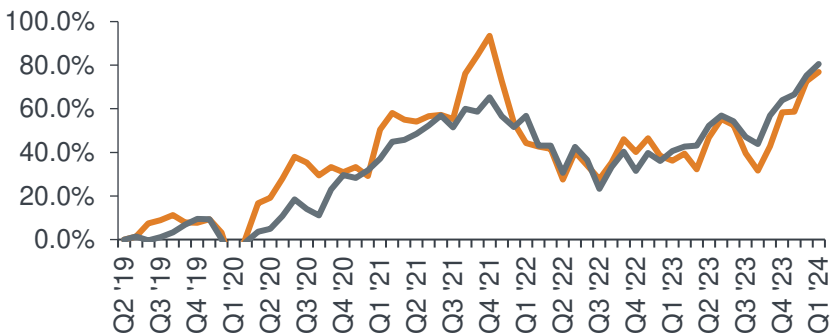
Aerospace Manufacturing Market Cap



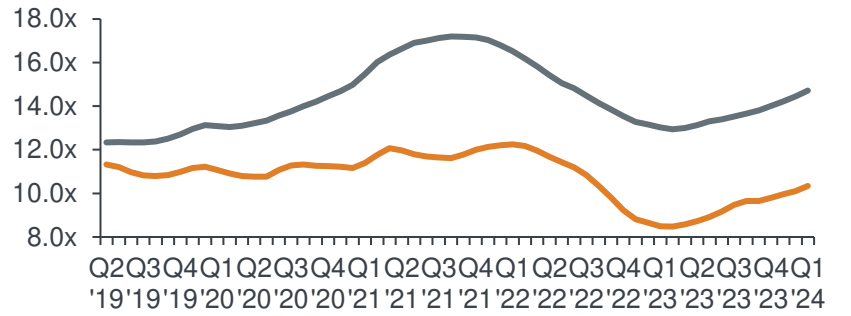
Aerospace Manufacturing EV / EBITDA



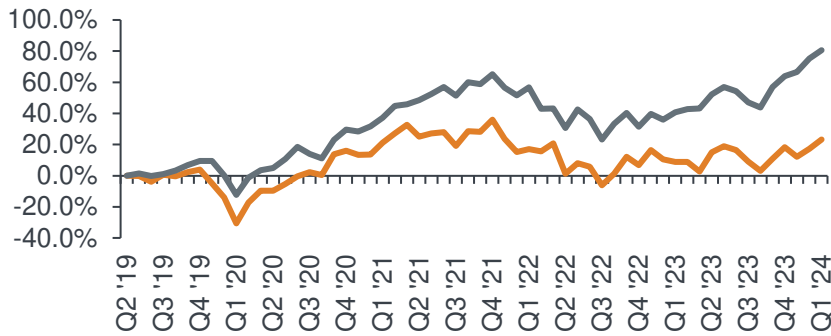
Building Products Market Cap



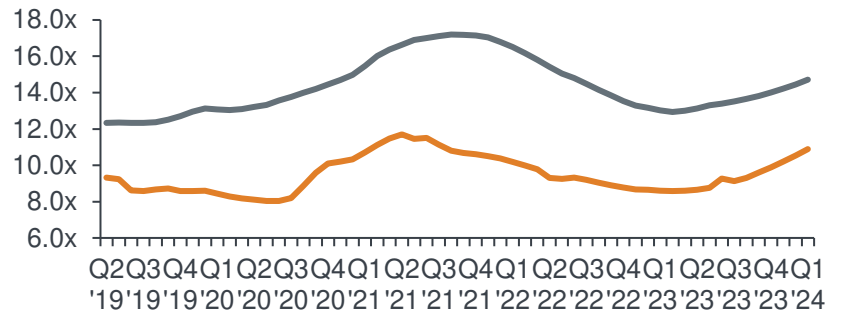
Building Products EV / EBITDA



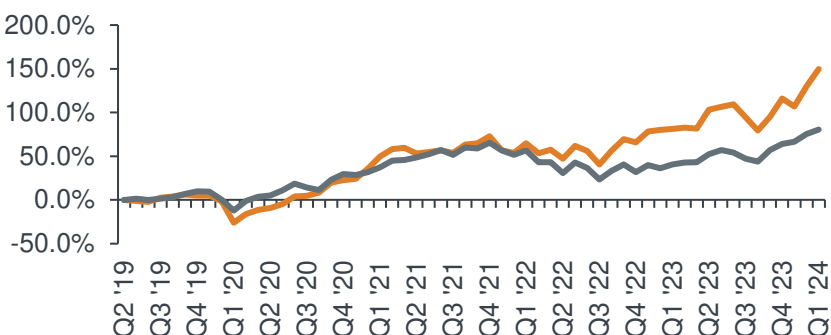
Chemicals Market Cap



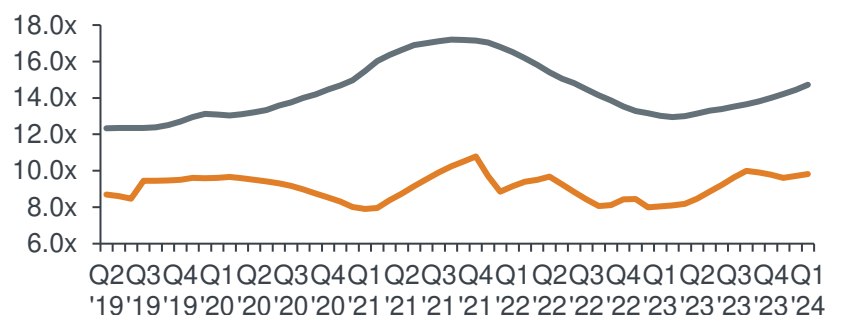
Chemicals EV / EBITDA



Construction Market Cap



Construction EV / EBITDA

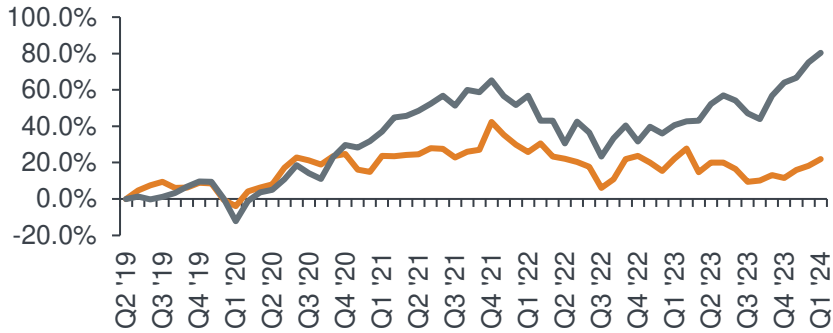


— I&M Sector — S&P 500

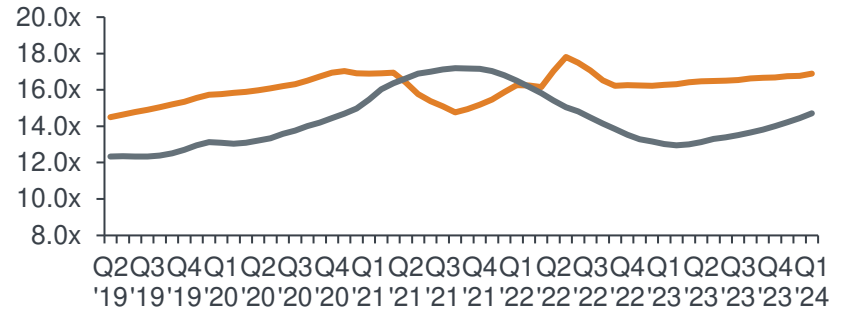
Source: S&P Capital IQ as of trading on March 31, 2024
Past performance is no guarantee of future results

MARKET INDICATORS

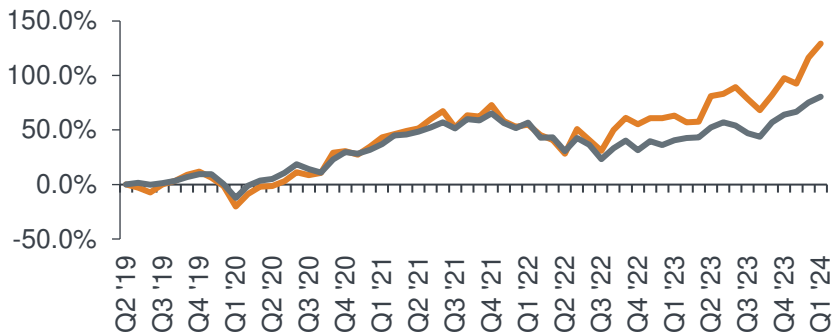
CPG Market Cap



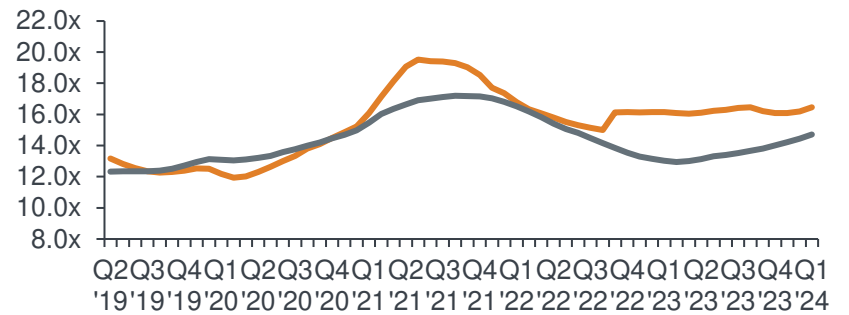
CPG EV / EBITDA



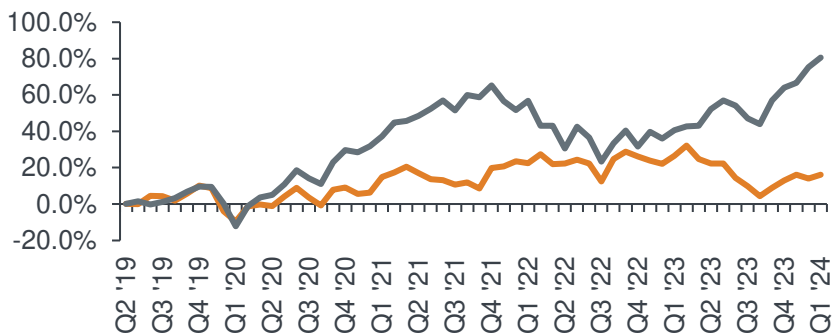
Electrical Equipment Market Cap



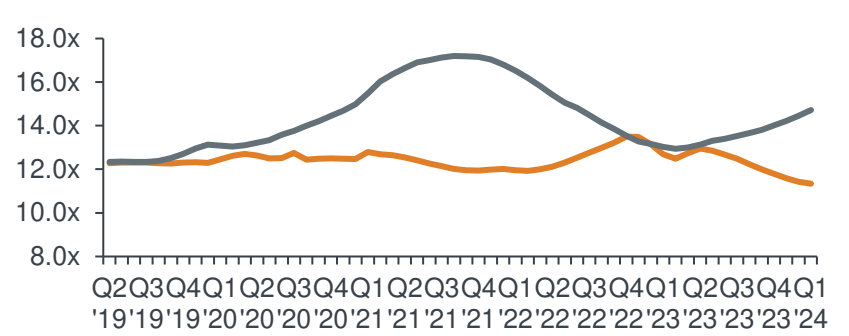
Electrical Equipment EV / EBITDA



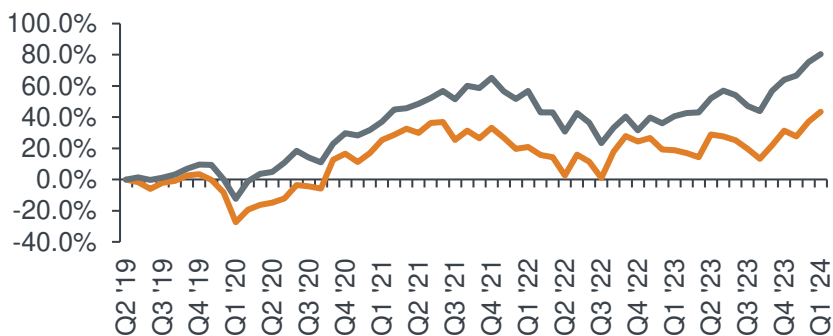
Food Market Cap



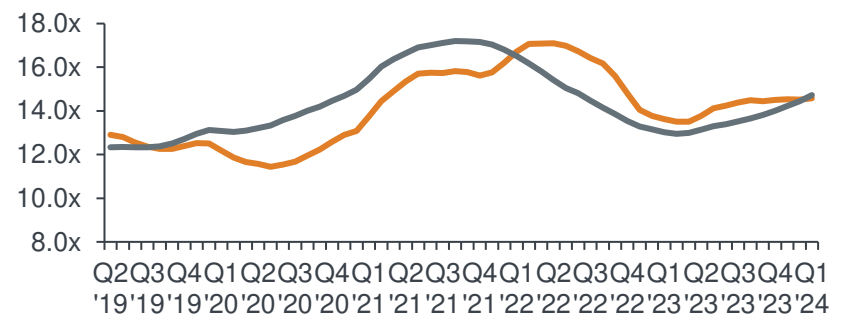
Food EV / EBITDA



Industrial Technology Market Cap



Industrial Technology EV / EBITDA

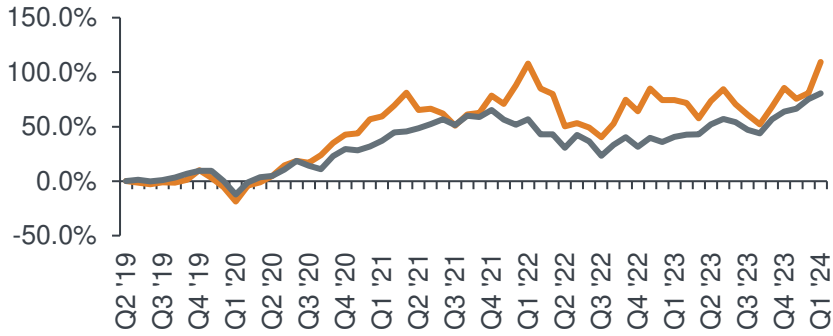


I&M Sector S&P 500

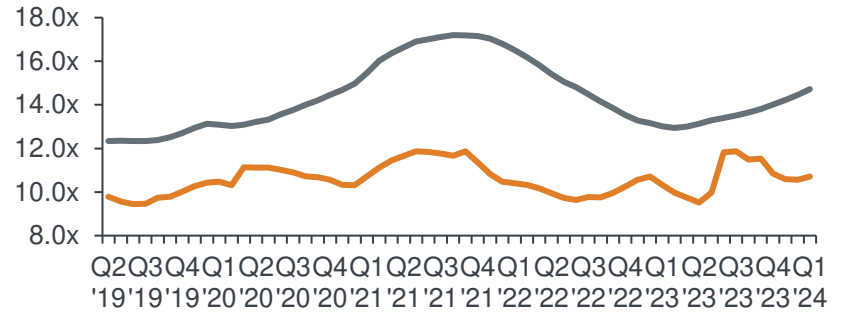
Source: S&P Capital IQ as of trading on March 31, 2024
Past performance is no guarantee of future results

MARKET INDICATORS

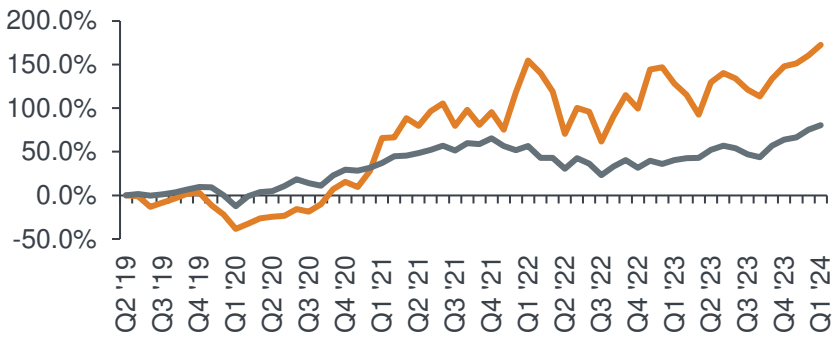
Materials Market Cap



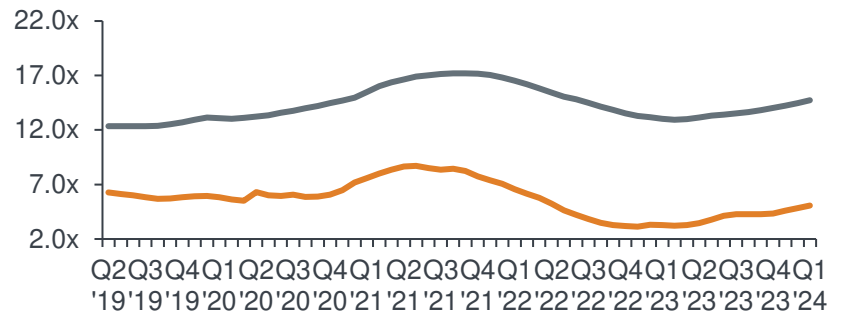
Materials EV / EBITDA



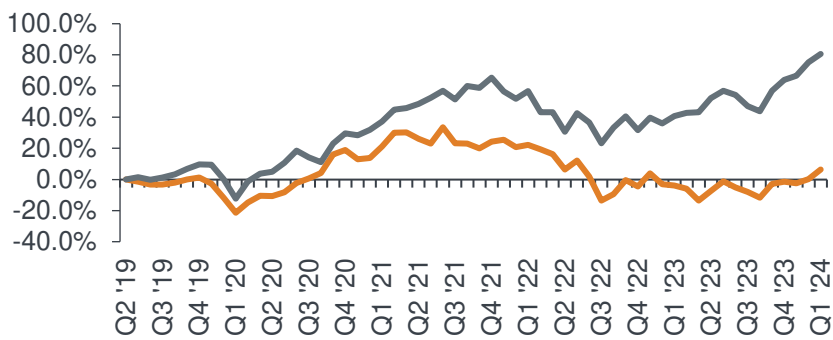
Metals Market Cap



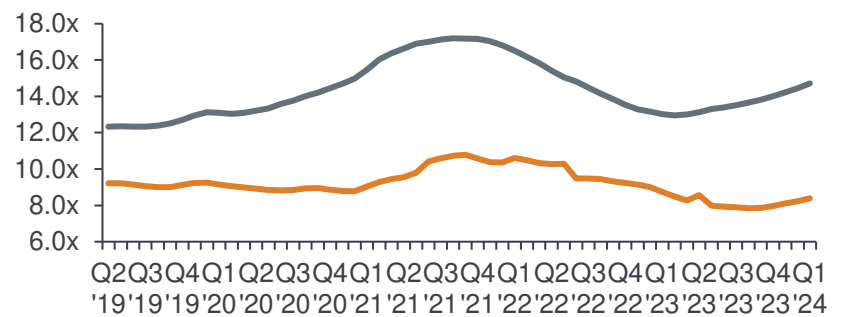
Metals EV / EBITDA



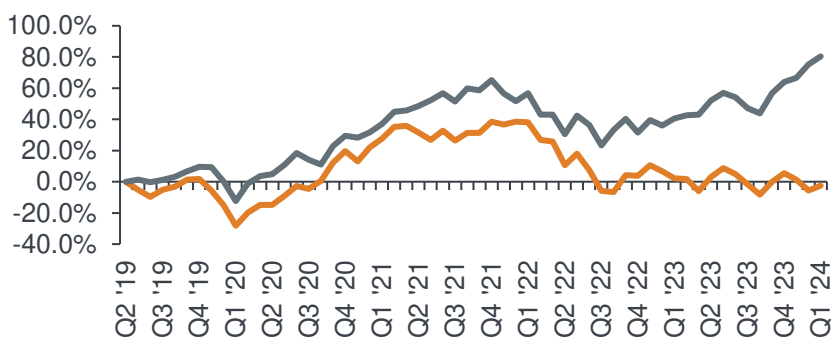
Packaging Market Cap



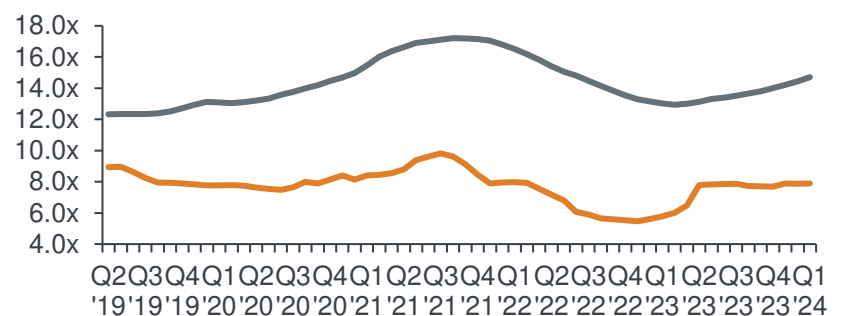
Packaging EV / EBITDA



Plastics Market Cap



Plastics EV / EBITDA



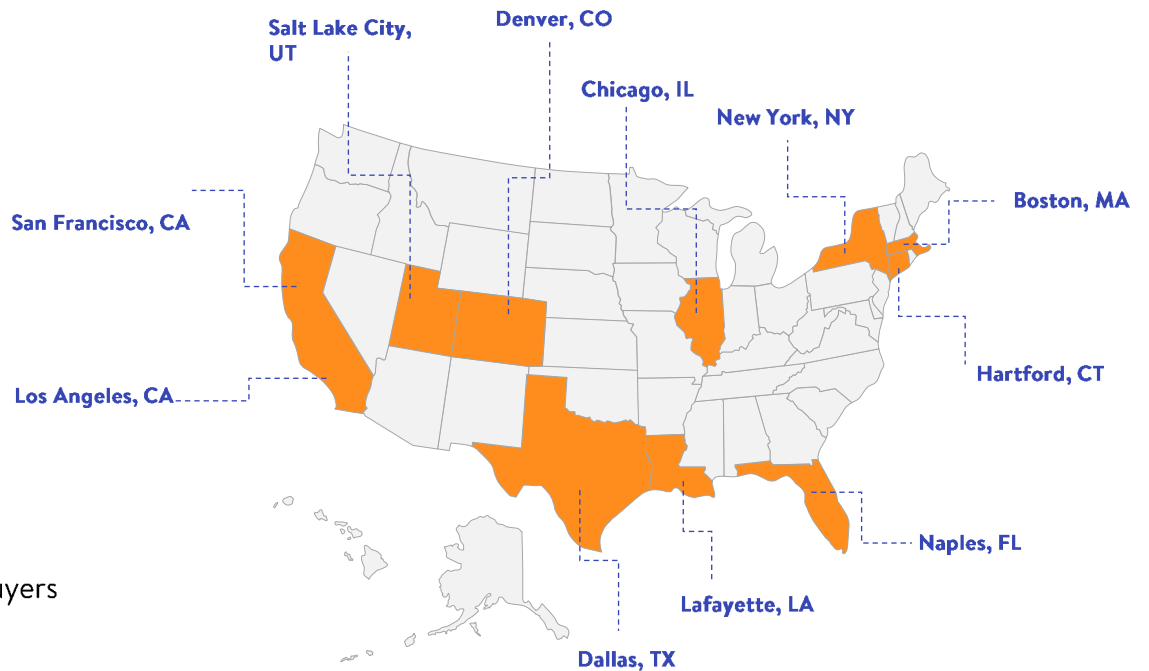
I&M Sector S&P 500

Source: S&P Capital IQ as of trading on March 31, 2024
Past performance is no guarantee of future results

G2 FIRM OVERVIEW

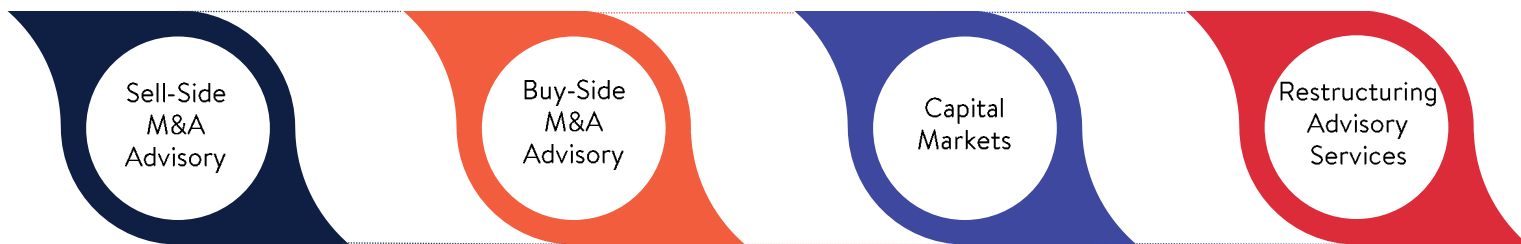
Overview:

- 500+ mandates in 12 years
- \$5B+ total executed transaction value
- Extensive industry experience
- Robust strategic and sponsor relationships
- Active touchpoints with logical sellers and buyers

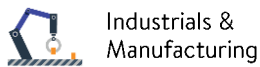


A Multi-faceted Platform:

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:



Industrials & Manufacturing

I&M Focus Sectors:

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



Transportation & Logistics

T&L Focus Sectors:

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



Technology & Business Services

TBS Focus Sectors:

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



Consumer & Retail

C&R Focus Sectors:

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

Connect With Our Team:



Victoria Arrigoni, Managing Director
varrigoni@g2cap.com
 619.742.6441



Mike Williams, Managing Director
mwilliams@g2cap.com
 917.523.2164



Will Luetmer, Vice President
wluetmer@g2cap.com
 857.449.0236

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