

June 2011

## Highlights

- Middle market M&A activity in Q1 '11 (344 transactions) was up a healthy 24 percent from the year ago period (Page 2). However, following on the heels of robust transaction activity in Q4 '10, deal flow fell short of market expectations, overshadowing positive year-over-year volume trends.
- Despite a weaker than anticipated first quarter, industry participants are bullish on M&A prospects for the year. All signs point to an M&A pipeline that is filling and the drivers are in place for an active second half:
  - Strategic buyers are tapping their cash stockpile and are aggressively pursuing growth acquisitions, as evidenced by healthy Q4 '10 and Q1 '11 deal activity, which heralded several mega-deals in the industrials space (Page 5) and steady deal flow in the middle market.
  - Private equity will be active buyers and sellers in the coming months, fueled by an overhang of unspent capital and aging portfolio investments, with an active loan market expected to provide the needed support for increased buyout activity.
  - Sponsors and lenders have expanded their appetite for industrial M&A opportunities given improving business fundamentals, with cyclical plays garnering increased interest.
- Many manufacturers are reporting improved order rates and expanding backlogs, signaling that confidence has returned to the domestic industrial manufacturing sector. Large strategic players cite a broad-based recovery, with energy, mining, infrastructure, and data communications continuing to exhibit strong growth. Construction is showing early signs of improvement, however, the outlook for a solid recovery is not expected until 2012, industry participants say. Input pricing remains in focus in the rising commodity price environment, as escalating raw material costs present a headwind for growth.
- Key manufacturing indicators show that the U.S. economy is continuing on a path of positive growth but recent trends suggest that the pace may be decelerating. Macro risks of unemployment, commodity price inflation, and a weak housing market weigh heavily on the sustainability of the recovery.
- Equity markets continue to remain volatile amid concerns of an economic slowdown. Broader equity indices gained roughly 19 percent year-over-year but lost gains in recent weeks on fears of slowing economic growth, with the S&P 500 flat with less than 1 percent growth year to date. Industrial stocks have come under pressure, despite showing sizable gains year-over-year, on the news of weaker than anticipated manufacturing and employment data. EBITDA valuations have contracted from Q1 '11 highs (Page 10), with the median LTM EBITDA multiple for the BGL Industrial composite declining to 9.9x from 10.7x.

The BGL Industrials Insider is published by Brown Gibbons Lang & Company, a leading independent investment bank serving middle market companies and their owners throughout the U.S. and internationally.

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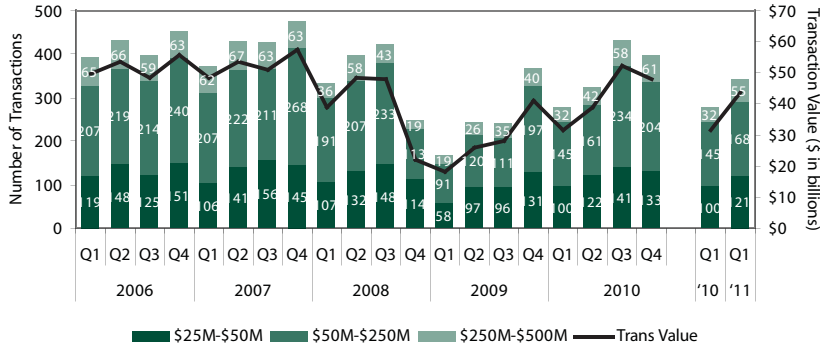


# Industrials Insider

## Mergers & Acquisitions

### Mergers & Acquisitions Activity

#### Middle Market M&A Activity



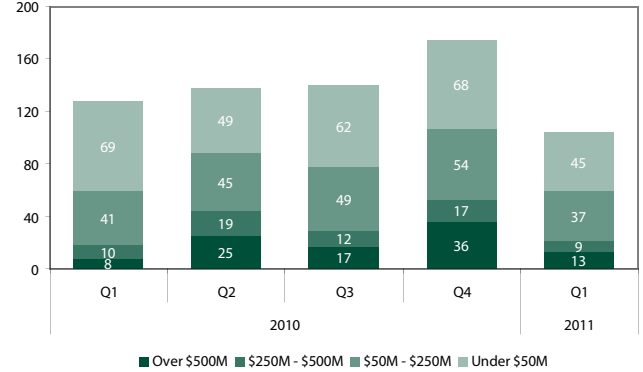
Based on announced deals, where the primary location of the target is in the United States.  
Middle market enterprise values between \$25 million and \$500 million.

Source: Capital IQ.

## Overall M&A Activity

### Private Equity Transaction Activity

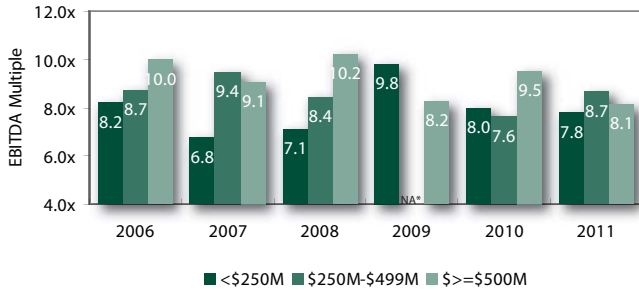
#### Transaction Count by Deal Size



Counts only include deals with disclosed transaction values.

Source: PitchBook.

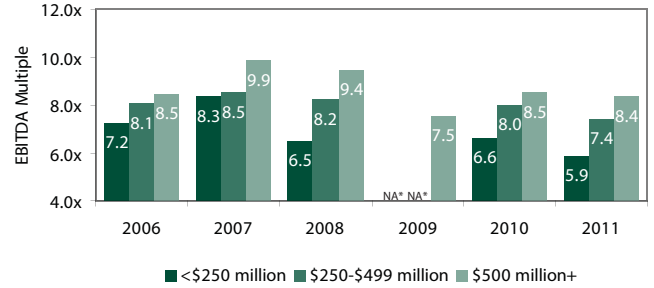
### Strategic Buyer Valuation Trends



\*NOTE: Data not reported due to limited number of observations for period.

Source: Standard & Poors LCD.

### Financial Buyer Valuation Trends

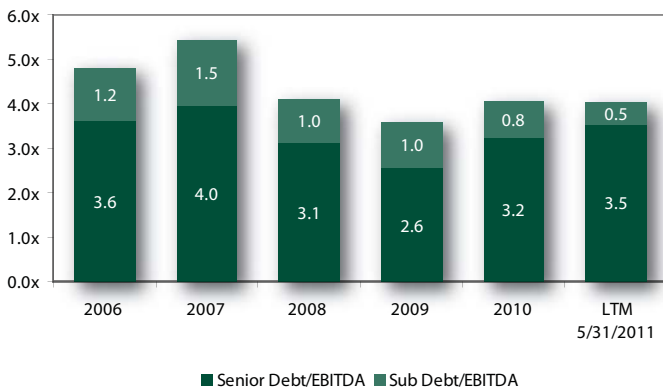


\*NOTE: Data not reported due to limited number of observations for period.

Source: Standard & Poors LCD.

### Acquisition Financing Trends

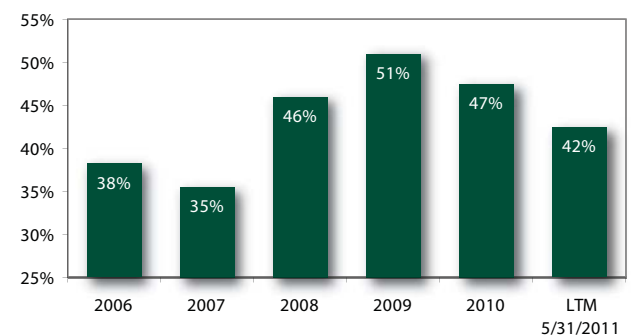
#### Leverage



Middle market enterprise values between \$25 million and \$500 million.

Source: Standard & Poors LCD.

#### Equity Contribution



Middle market enterprise values between \$25 million and \$500 million.

Source: Standard & Poors LCD.





## Mergers & Acquisitions

The industrial sector is poised for increased M&A activity in the coming months as investors look to time the market on the upswing of a strengthening economy. A number of factors are driving the resurgence in activity:

### TIMING THE RECOVERY

Market indicators suggest the U.S. economy is on a path of recovery, and many sectors are poised to grow with the rebound in industrial manufacturing activity. As a result, buyers are gaining more comfort in the stability and predictability in earnings of middle market businesses, and the renewed confidence is stimulating an active deal market. However, concerns of a double-dip recession linger, as the pace of economic growth has slowed, and macro risks of escalating commodity prices, stagnant unemployment, and a weak construction market could stifle progress and inhibit momentum toward a more robust recovery. As a result, buyers are cautious and remain selective in their acquisition approach.

Some market participants are citing a strong recovery, characterized for some by stabilized revenues and for others by a return to growth, and the recovery is largely broad-based. Areas of the economy that have seen a fairly significant contraction and a return to stability, such as automotive, heavy machinery, and building products, are garnering renewed interest with the view that they have bottomed and are starting to see the turn given the improvement in the economy. Investors are approaching opportunistic buys with the view that cyclical plays have the potential to achieve a higher growth trajectory coming off the trough and with additional leverage achieved through increased operating efficiencies, can see an even greater improvement in earnings. These so-called 'rehabilitated' manufacturers will be coming to market in greater numbers in the second half of 2011. Value buyers are looking to identify and acquire undervalued assets, including struggling competitors, with the expectation of lower valuations.

### DEBT MARKETS FACILITATING DEALS

Broadly, the availability of debt financing for leveraged buyouts has improved substantially, continuing on the trend which began in the second half of 2010. Findings from our April survey of middle market lenders (*Inside the Middle Market, April 2011*) suggest that industrial companies are seeing growing support from lenders given improving economic conditions and their expanded appetite is fueled by the need for loan growth. In turn, the strong financing market is bolstering private equity's appetite in the capital goods space and favorable lending terms are enabling sponsors to pay more for desirable assets.

Transaction structures continue to accommodate higher leverage levels—and market indicators suggest that trend is continuing—creating a favorable environment for increased buyout activity. Thomson Reuters LPC reported that average debt to EBITDA levels for middle market LBOs continued to loosen in Q2 '11, citing average senior and total leverage of 3.5x/4.6x, respectively, through May—up from a 2009 low of less than 4x total leverage. That trend is consistent with findings from their Q2 '11 Quarterly Middle Market Survey<sup>(1)</sup> in which 30 percent of lenders cited their senior leverage tolerance level has gone up above 3.5x for sponsored deals—up from 10 percent in the previous quarter. BGL surveyed lenders cited loosening trends in the lower middle market. In our April survey, more than 70 percent of lenders quoted 4x in the range of total leverage for companies with less than \$10 million in EBITDA, compared to only 32 percent in our November survey.

NOTES: <sup>(1)</sup> Thomson Reuters LPC Q2 '11 Quarterly Middle Market Survey.

## Industrials M&A Activity

### PRIVATE EQUITY IS HUNGRY

By all accounts, private equity will be buying, and private equity will be selling in 2011. Major drivers behind the increased private equity deal flow will be the capital overhang—approaching \$500 billion in 2010—that needs to be invested, and the growing number of aging portfolio investments for which sponsors will be seeking exits on in the coming months. The middle market continues to be a significant driver of private equity deal flow, and the need to deploy capital will continue to accelerate transaction activity as sponsors look for growth platforms and add-on opportunities as tuck-ins to existing portfolio companies.

Private equity sponsors have expanded their circle of interested space to include a broader array of sectors with the expectation of a sustained economic recovery and improved business fundamentals, making capital goods a target for future investment. Recent transaction activity is reflective of this trend, as sponsors that have traditionally targeted the capital goods sector are ramping up their investment activity in the space. Notable examples include Pfingsten Partners' three acquisitions completed through May; Industrial Opportunity Partners and Audax Group, which each tallied two deals during the same period; and Sentinel Capital Partners which completed two acquisitions during the last six months. Historically active in the capital goods space, Graham Partners completed two platform investments during the last six months and credits seven buys to its industrials portfolio over the past two years (Page 8).

### STRATEGICS ARE ACTIVE

Strategic buyers are eyeing growth and with strong balance sheets and cash to spend are looking to put money to work in higher earning assets. Public companies in the BGL Industrials composite index (Pages 11 and 12) have increased their total cash stockpile by more than 28 percent since 2008, with an accumulated cash surplus that exceeds \$160 billion today (Page 5).

In the aggregate, index constituents are showing a return to positive growth, with a notable 14.2 percent median growth rate in revenue during the past year, which compares to a three-year median growth rate of less than 1 percent. Building Products, which experienced the largest three-year decline in revenue of negative 8 percent, is showing signs of stabilization, returning to positive revenue growth of 3 percent during the past year (Page 5).

Having demonstrated an observable shift in mindset toward M&A, corporate acquirers are seeking out acquisitions to drive the top-line in the slow organic growth environment. M&A activity heated up in the second half of 2010, particularly in the fourth quarter, where the sector saw the announcement of two strategic transactions valued at over \$1 billion and three for the full year 2010, compared to one in all of 2009 (Page 5).





### Private Equity in Capital Goods

#### Private Equity Transactions Quarterly Transaction Activity



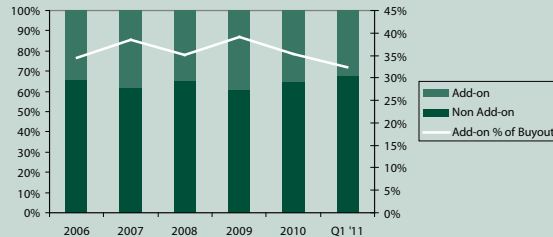
Private equity has historically been active buyers in the capital goods space. While deal volume is still off levels of peak years of 2006 and 2007, which saw the highest level of transaction activity, 2010 brought a rebound with 153 deals, up a sizable 46 percent from 2009 levels. Current market dynamics, namely the return of strategic buyers, the growing private equity capital and portfolio overhang, and strong financing market, suggest that 2011 will maintain and likely exceed last year's pace.

#### Deal Count by Sub Sector



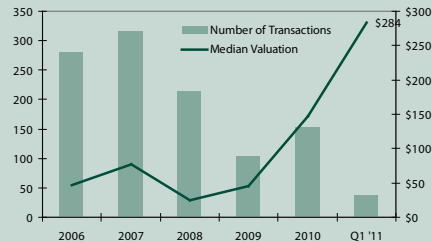
Sectors leading private equity buyouts in 2011 are Distribution accounting for 24 percent of transactions, followed by Industrial Supplies with 22 percent. In 2010, Industrial Supplies generated the highest level of transaction activity at 25 percent and Building Products with 22 percent.

#### Deal by Type



In the broader M&A market, deals valued under \$500 million accounted for 83 percent of transaction activity in 2010 (Page 2), according to PitchBook, with add-ons representing 41 percent of all buyouts, increasing for the sixth consecutive year. Add-ons continue to represent a steady source of transaction activity in capital goods, accounting for 32 percent of buyout activity in 2011 and 35 percent in 2010. Add-ons as a percent of buyout activity have declined since the 2009 high of 39 percent, reflecting the continuing trend for sponsors to put capital to work in growth platforms and the renewed market optimism that is driving a healthy environment for M&A.

#### Median Valuation



The median deal valuation for buyouts in the capital goods space increased to \$284 million in 2010 from \$147 million in 2009, indicative of the increased appetite on the part of sponsors and lenders to fund larger transactions.

#### Time to Exit



The median holding period for capital goods investments increased to 4.3 years in 2011, underscoring the likelihood of increased private equity deal flow as market conditions remain favorable for seeking exits. The number of private equity exits increased two-fold in 2010 to 45, up from 29 in 2009, according to PitchBook. 2011's count is keeping pace with 2010, with 19 exits already recorded through the end of May, led by Machinery (32 percent of exits) and Industrial Supplies (16 percent).

Source: PitchBook.







## Mergers & Acquisitions

STRATEGICS ARE ACTIVE (CONTINUED FROM PAGE 3)

### CREATING MOMENTUM

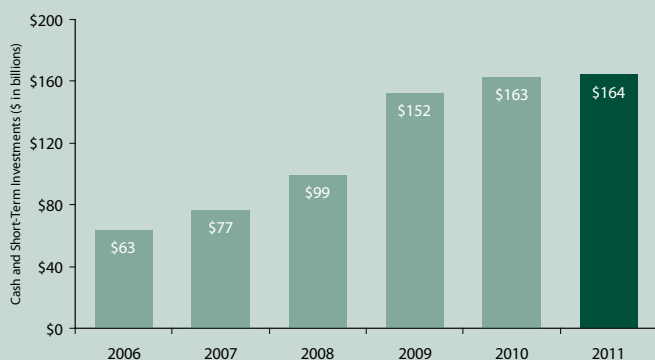
Capital goods saw an active year for M&A in 2010, particularly in the fourth quarter, which brought a resurgence in mega-deal activity and steady deal flow in the middle market. Notable transaction activity included:

- Caterpillar's announced \$8.5 billion acquisition of Bucyrus International in November. The move is intended to capitalize on growth in the mining space, which is in the early stages of expansion, solidifying Caterpillar's market leading position and expanding its product scope across the mining value chain. The transaction builds on Bucyrus' \$1.6 billion acquisition of Terex in February 2010.
- General Electric's (GE) \$3 billion acquisition of Dresser Inc. in October, a provider of equipment and aftermarket services for the oil and gas market, marking its largest industrial acquisition since the start of the recession. Roughly 85 percent of Dresser's customers are in the energy segment, a core market for GE, and over 60 percent of revenues are driven by international markets. Dresser adds engines to GE's compression portfolio, with roughly 50 percent of revenues generated from control valves, an area where GE currently has no presence and there is significant opportunity for further consolidation. The \$3 billion cash purchase price valued Dresser at ~1.5x revenue and ~9.4x TTM EBITDA, according to analyst estimates, based on 2009 reported financial results. The transaction was an exit for the private equity consortium led by Riverstone Holdings, First Reserve, Carlyle Group, and Lehman Brothers Co-Investment Partners, which acquired the company in 2007.
- Regal Beloit's (NYSE: RBC) announced acquisition of A.O. Smith's Electrical Products segment (EPC) in December, marking its largest buy in a record year, totaling six acquisitions in 2010. EPC serves complementary residential and commercial HVAC and consumer markets adding to RBC's leading HVAC presence. The \$875 million purchase price consisted of \$700 million in cash and \$175 million in stock, valuing the business at 1.3x revenue and ~8.9x TTM EBITDA, according to analyst estimates.

## Industrials M&A Activity

- Danaher (NYSE: DHR) acquired Keithley Instruments, a manufacturer of electronics test instruments, in December. Keithley supplies bench test and measurement equipment to the semiconductor (~35 percent of sales), precision electronics (~30 percent), and education (~25 percent) markets. The company's portfolio which sources, measures and controls direct current, radio frequency and optical signals complements Danaher's existing test and measurement platform Tektronix. The \$300 million cash purchase price valued the company at ~2.3x 2011 revenue and ~11.8x 2011 EBITDA, based on consensus estimates.
- Carlisle Companies (NYSE: CSL) completed the acquisition of Hawk Corporation (AMEX: HWK), a global supplier of friction materials for brakes, clutches, and transmissions, in December. The \$395 million purchase price valued the company at ~1.7x LTM revenue and ~8.6x LTM EBITDA.
- Ametek (NYSE: AME) deployed \$540 million in capital on six acquisitions in 2010, adding \$230 million in annualized sales. The company speaks of an "excellent backlog of acquisitions" and maintains a strong balance sheet to support its acquisition focus.
- Ametek's notable transactions in 2010 include the acquisition of Atlas Material Testing Technology, completed in November. Atlas is the market leader with a 30 percent share of the ~\$300 million weathering test instrument market, analysts estimate. The company's products are used for laboratory weathering testing, corrosion testing, environmental testing, flammability testing, lighting systems, and textile testing. Product markets are divided between test instruments (40 percent of sales); spare parts (40 percent); and consulting/services (20 percent). International markets comprise nearly 75 percent of company sales, expanding Ametek's global exposure closer to its 60 percent goal. The \$159 million cash transaction valued Atlas at just over 8.5x NTM EBITDA, consistent with the company's historical purchase price multiples, according to analyst estimates. The transaction represents a portfolio exit for Industrial Growth Partners, which acquired a majority stake in the company through an LBO in October 2007. Atlas is expected to generate sales of approximately \$85 million in 2011 (~1.9x revenue multiple).

### Strategic Cash Stockpile



\*NOTE: Cash surplus is the aggregate value of cash and equivalents for BGL index constituents as of the year end filing. Year-to-date data as of June 28, 2011.

Source: Capital IQ.

### Revenue Growth

	Revenue Growth	
	1 Year	3 Year
Diversified Industrials	11.6%	0.1%
Aerospace & Defense	4.5%	2.7%
Electrical Components & Equipment	18.0%	0.4%
Industrial Machinery	14.2%	0.6%
Construction, Farm & Other Capital Equipment	20.2%	0.4%
Building Products	2.5%	-7.9%
Distribution	19.5%	2.1%
Aggregate Median	14.2%	0.4%

\*NOTE: Median revenue growth of BGL index constituents (Pages 11 and 12) calculated from public filings.

Source: Capital IQ.





### CREATING MOMENTUM (CONTINUED FROM PAGE 5)

- Ametek completed the largest acquisition in the company's history with the purchase of Haydon Enterprises in July 2010. Haydon is a leader in linear actuators and lead screw assemblies for the medical, industrial equipment, aerospace, analytical instrument, computer peripheral, and semiconductor industries with estimated annual sales of approximately \$85 million. The cash purchase price of \$270 million valued the company at an estimated ~3.2x revenue and ~8x EBITDA. The transaction represents an exit for private equity sponsor Harbour Group, which acquired the company in 2007.
- Eaton Corporation (NYSE: ETN) completed several tuck-in acquisitions in 2010. In December, the company completed the acquisition of the Tuthill Coupling Group, a division of Tuthill Corporation. The business manufactures pneumatic and hydraulic quick coupling solutions and leak free connectors used in industrial, construction, mining, defense, energy and power applications, reporting sales of approximately \$35 million in 2010. Eaton acquired Copperlogic, a \$35 million manufacturer of electrical and electromechanical systems, in September, and WrightLine, a maker of customized enclosures, rack systems, and air flow management systems to store, power, and secure mission-critical IT data center electronics, in August. The company generated sales of approximately \$101 million in 2010.
- ITT Corporation (NYSE: ITT) was active in the second half of 2010, announcing buys of OI Corp. in September and Godwin Pumps in June. OI is a leading provider of innovative instrumentation for laboratory and environmental testing in the pharmaceutical, petrochemical, power, and industrial markets. The company's product portfolio is expected to enhance ITT's Analytics business, which was formed the \$385 million acquisition of Nova Analytics in March 2010. Godwin Pumps is a leading manufacturer of automatic self-priming portable pumps for the construction, municipal, industrial, oil and gas, and mining markets. The purchase will double ITT's sales in the \$3 billion fragmented global dewatering market, for which the Godwin and ITT Flygt and Grindex brands hold the number one and two market shares. ITT reported sales of \$235 million (estimated) for Godwin in 2010. The \$585 million purchase price valued Godwin at ~2.5x revenue.

### FIRST QUARTER ACTIVITY HINTS AT ACTIVE SECOND HALF

Market indicators suggest that 2011 is building on last year's momentum, with two \$1 billion-plus transactions already announced this year, with bellwether deals likely to be harbingers of increased deal flow in the middle market.

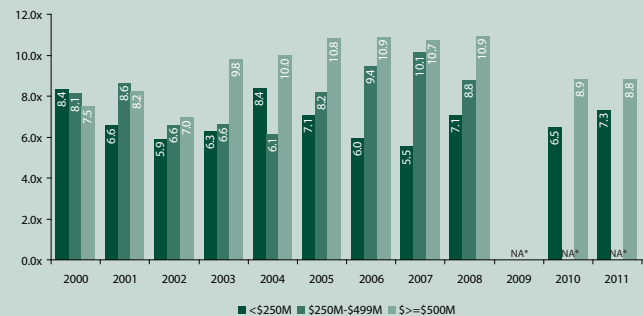
- Danaher Corp's (NYSE: DHR) acquisition of biomedical testing products manufacturer Beckman Coulter (NYSE: BEC), announced in February, will significantly expand its product reach in life sciences and diagnostics and further its penetration in the growing healthcare market. The \$6.9 billion purchase price values Beckman at ~1.8x NTM revenue and 8.2x NTM EBITDA.

- Joy Global, Inc.'s (NasdaqGS: JOYG) announced \$1.1 billion acquisition of LeTourneau Technologies, Inc. in May 2011. The transaction furthers a platform for growth in the oil and gas sector. The buy will expand the company's surface mining product offering and add a high spec jack-up oil and gas drilling business to its product portfolio. The purchase marks Joy Global's first acquisition since 2008.

International acquirers are also taking advantage of buying opportunities to gain access to the U.S. market and to the technologies of established players. Notable acquisitions include:

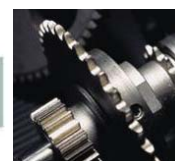
- ABB Ltd's (SWX: ABBN) Baldor Electric buy, completed in January 2011, solidified its position as the market leader in the North American industrial motors business. The \$4.1 billion purchase price valued Baldor Electric at ~2.5x Revenue and ~13.9x LTM EBITDA.
- SKF AB (OM: SKF B) completed the acquisition of Lincoln Industrial Corp. in December 2010 in a move to expand its presence in the global sealant business. According to an SKF disclosure, the supplier of lubrication systems and tools and equipment generated 2010 revenues of \$400 million and an operating margin of 24 percent, with sales split between North America (50 percent), Europe (25 percent), and Asia Pacific (20 percent). The purchase is expected to boost SKF's share of the North American lubrication market, where it currently holds a 3 percent share. The transaction represents an exit for investor consortium Harbour Group, Audax Group, and TCW/Crescent Mezzanine Partners, which acquired the company in 2005. The \$1.0 billion cash purchase price valued Lincoln at ~2.5x revenue and ~10.4x operating income.

### Purchase Price Multiples General Industrials



\*NOTE: Data not reported due to limited number of observations for period.

Source: Standard & Poors LCD.





## Mergers & Acquisitions

### SELECTED RECENT STRATEGIC TRANSACTIONS IN THE MIDDLE MARKET

In May 2011, IDEX Corporation (NYSE: IEX) announced the acquisition of CVI Melles Griot, Inc. (CVI), a global manufacturer of custom and standard precision photonic measurement and motion control systems used in the life sciences, research, semiconductor, security and defense markets. Products include specialty lasers, electro-optical components, and optomechanical assemblies, including lenses, laser mirrors, interference filters and polarizers. The company generates annual sales of approximately \$185 million. IDEX acquired CVI from Norwest Equity Partners, which acquired CVI in 2003 and Melles Griot in 2007. The \$400 million cash purchase price valued CVI at ~2.2x revenue and ~10x EBITDA, according to analyst estimates. IDEX completed two additional buys in 2011, including the purchase of Microfluidics International Corporation in March and Advanced Thin Films (AT Films) in January. Microfluidics manufactures laboratory and commercial equipment used in the production of micro and nano scale materials for the pharmaceutical and chemical markets. The \$17.3 million cash buy valued the company at ~1x LTM revenue and ~17.5 x LTM EBITDA. AT Films specializes in optical components and coatings for applications in the fields of scientific research, defense, aerospace, telecommunications, and electronics manufacturing. IDEX paid \$32 million in cash consideration for AT Films, valuing the company at ~3.6x revenue.

In May 2011, Timken Co. (NYSE: TKR) announced the acquisition of Philadelphia Gear Corporation (PGC), a leading provider of high-performance gear drives and components. PGC brings proprietary power-transmission knowledge of premium gear drives, replacement products and services for growing markets including energy and infrastructure. The company generated sales of approximately \$85 million through the trailing twelve month period ended March 2011. The purchase price for the transaction was \$200 million. Timken paid a full multiple for PGC—an estimated ~2.4x revenue and ~10x EBITDA according to analyst estimates—for the high-margin business. The transaction is expected to close in Q3 '11 and be accretive to 2012 earnings.

In May 2011, Actuant Corporation (NYSE: ATU) announced the acquisition of Weasler Engineering Inc., a manufacturer of drivetrain components and systems for agriculture, lawn and turf, and industrial equipment. Weasler generated approximately \$85 million in revenue in 2010. The transaction represents an exit for American Securities, which acquired the company in 2005. The \$155 million purchase price valued Weasler at ~1.8x revenue.

In May 2011, Ametek Inc. (NYSE: AME) acquired Coining Holding Company, a manufacturer of custom-shaped metal preforms, microstampings, and bonding wire solutions for interconnect applications in microelectronics packaging and assembly serving the general electronics, RF/microwave, photonics, medical, and aerospace and defense markets. Primary geographic markets served include the U.S. (approximately 60 percent of sales); Asia (25 percent); and Europe (10 percent). The \$148 million purchase price valued Coining at roughly 2.3x expected 2011 sales of \$65 million and 8x-9x EBITDA, in line with historical acquisition multiples of 7x-9x trailing EBITDA, according to analyst estimates. The transaction represents an exit for River Associates Investments, LLC, which acquired the company in August 2007.

## Industrials M&A Activity

During River's ownership, Coining grew from \$19 million to \$65 million in sales, the result of several strategic growth initiatives, namely the acquisition of competitor Semiconductor Packaging Materials in January 2009; the opening of a sales office in Shenzhen, China; and facility consolidation which resulted in significant cost savings and manufacturing efficiencies. The transaction generated a gross internal rate of return of 76 percent and over 6x River's original investment.

In April 2011, Ametek (NYSE: AME) acquired Avicenna Technology (AT), bringing expertise in fine-featured catheter and other medical components for leads, guide wires, and custom medical assemblies. AT will join Ametek's Engineered Materials, Interconnects and Packaging division, which manufactures highly engineered electronic interconnects and microelectronic packaging for a wide range of electronics applications. The AT buy fits strategically with Technical Services for Electronics, Inc. (TSE), which Ametek acquired in June 2010, adding to Ametek's growing portfolio of businesses that serve the medical device market. TSE is a global manufacturer of custom engineered interconnect solutions for the medical device, test and instrumentation, and aerospace markets. TSE was purchased from private equity sponsor Pfingsten Partners, which acquired the company in June 2006.

In March 2011, General Electric Company (NYSE: GE) acquired Lineage Power Corporation in a move to expand its reach in the \$20 billion power conversion space, tapping into growing demand for electricity management from the surge in mobile computing. Lineage is a leading global provider of high-efficiency power conversion infrastructure technology and services for the telecommunications and datacenter industries. The company generated approximately \$450 million in sales in 2010. The purchase expands the company's product capability in data centers and power conversion to compete with Emerson Electric, Siemens, and ABB. Lineage was a former portfolio company of private equity firm Gores Group LLC. Gores formed Lineage with the purchase of Tyco Electronic's power backup unit in 2007 for \$100 million. The \$520 million purchase price valued Lineage at ~1.2x revenue and ~8x EBITDA. The Lineage acquisition is the fifth purchase for GE's Energy Services business, which spent \$5 billion on acquisitions and joint venture interests during the past year, according to a recent company statement, including the \$3 billion purchase of Dresser in October 2010.

In March 2011, Quanex Building Products Corporation (NYSE: NX) completed the acquisition of Edgetech I.G., Inc., a leading producer of warm-edge dual seal insulating glass spacers for the North American and European window and door markets. The acquisition is expected to bring immediate cross-selling opportunities in North America and longer-term opportunities in the European market, where Quanex has little to no presence. Edgetech reported sales of \$76 million and EBITDA of \$12.2 million in 2010. The cash purchase price paid was \$107 million, valuing Edgetech at ~1.4x revenue and ~8.8x EBITDA.





## Mergers & Acquisitions

### SELECTED RECENT PRIVATE EQUITY TRANSACTIONS IN THE MIDDLE MARKET

In May 2011, Audax Group acquired Jerome Industries, a supplier of power supplies, battery chargers and transformers to the medical, military, and industrial markets, its second add-on for platform Astrodyne formed in 2008. In January, the sponsor acquired BoreFlex Industries, a manufacturer of HDPE pipes and conduits for the telecommunications, power, and pressure pipe markets, an add-on to platform A-D Technologies acquired in 2007. Astrodyne manufactures power electronic equipment for telecom, industrial control, and instrumentation applications. A-D Technologies manufactures communication and energy infrastructure products and systems. Audax Group completed four industrial buys in the last two years.

Sentinel Capital Partners formed two new industrial growth platforms during the last six months. In April 2011, the sponsor acquired Chromalox Inc., a manufacturer of commercial and industrial electric heating products and solutions. The company is a leader in precision heat technology, offering a highly engineered line of products, including heating components, immersion heaters, circulation systems, heat transfer systems, boilers, industrial and comfort air heating, heat trace cables, sensors, and precision electronic controls, and serves the energy, power, and other commercial and industrial end markets. Chromalox was a former portfolio company of CCMP Capital Advisors, which acquired the company in a 2001 buyout.

## Industrials M&A Activity

Sentinel acquired Chase Doors, a maker of heavy duty doors and door systems used in commercial and industrial applications, in December 2010. The company's product offering includes a line of made-to-order doors, including traffic doors, cold storage doors, sliding doors, corrosion-resistant doors, strip doors, and roll-up doors. The company's doors are used by customers in diverse markets, including supermarket, retail, restaurant, industrial, pharmaceutical, food processing, cold storage, and government. The purchase price for the transaction was \$40.8 million. Chase is a former portfolio investment of Gladstone Capital, which acquired the company in March 2006. Sentinel has acquired three industrial companies in last two years.

In April 2011, Ares Management acquired Global Defense Technology & Systems (NASDAQ: GTEC) in a \$315 million take private transaction, renaming the business Sotera Defense Solutions. The company provides mission-critical, technology-based systems, solutions and services for national security agencies and programs of the U.S. government. The \$315 million cash buy valued GTEC at ~1.0x NTM revenue and 10.7x NTM EBITDA.

## BGL In the Market



a wholly-owned subsidiary of  
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has been acquired by



### Client:

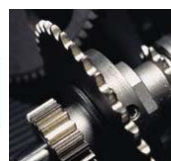
Edgetech I.G., Inc. (wholly-owned subsidiary of Lauren International, Inc.)

Headquartered in Cambridge, Ohio, Edgetech is a technological leader in the manufacturing of high performance, energy efficient warm-edge spacer products utilized in both the new construction and replacement markets. Edgetech's patented spacer technology separates and seals double and triple pane glass within a window frame and is recognized as best-in-class in the industry for energy efficiency and durability. The company operates three extruding and manufacturing facilities in the U.S., United Kingdom, and Germany, and markets its full line of proprietary sponge rubber insulating glass spacer systems to a growing base of window and door manufacturers in North America and internationally.

### Results:

Edgetech I.G., Inc. was sold to Quanex Building Products Corporation (NYSE:NX) in an all-cash transaction valued at \$107 million.

The strategic partnership with Quanex enables Edgetech to better serve its growing base of large and regional customers, and further accelerates its growth in international markets.







## Mergers & Acquisitions

### SELECTED RECENT PRIVATE EQUITY TRANSACTIONS IN THE MIDDLE MARKET

In April 2011, Industrial Opportunity Partners (IOP) acquired Moeller Products, a manufacturer and supplier of engineered assemblies and components to OEMs of diesel engines and diesel-powered medium-duty and heavy-duty equipment, an add-on to portfolio company Center Manufacturing. The company's products primarily include engine and transmission dipsticks, fabricated tube assemblies, and oil and fuel tank caps. IOP acquired Center Manufacturing in 2006. In January 2011, IOP acquired the lighting and heavy-duty electromechanical flasher business of Honeywell International (NYSE: HON), an add-on to platform FAS Controls, acquired in 2007. The business manufactures halogen lights, custom-designed lamps, high intensity discharge lamps, and flashers under the Hobbs brand which are sold to OEMs and aftermarket distributors of sports vehicles, construction and agricultural equipment, utility vehicles, and lawn and garden equipment. The sponsor has completed three buys in the industrials space since 2009.

Pfingsten Partners counts three buys in its industrial portfolio so far this year. In April 2011, the sponsor acquired Corporate Safe Specialists, a provider of cash management products and services, including traditional safes, intelligent safes, and services, completing its first add-on for portfolio investment FireKing Security Group (FKI Security Group). Pfingsten acquired FKI Security Group in September 2010 as a growth platform in security, safety, and asset protection solutions. The company's product offering includes fire and impact-resistant file cabinets and safes, traditional and intelligent safes, and digital video security systems.

Also in April 2011, Pfingsten completed the acquisition of Power Protection Unlimited (PPU), a provider of UPS, battery, and electrical services, including battery testing and replacement, UPS maintenance plans, equipment installations, and infrared scanning services. Pfingsten combined PPU with On Computer Services, LLC, acquired in January, forming platform Unified Power Holdings, to provide services for the critical power industry.

In January 2011, Pfingsten acquired platform TPC Wire & Cable (TPC) from Premier Farnell (LSE: PFL). TPC is a leading supplier of wire, electrical and electronic cord, cable and accessories used in harsh industrial environments. The company's products are designed and engineered to withstand harsh conditions including abrasion, chemicals, flexing, and extreme temperatures. TPC serves a variety of end markets, including the steel, utility, mining, automotive, food and beverage, government, oil and gas, transportation, and wood, pulp, and paper markets. The cash purchase price for the business was \$43 million. Pfingsten has completed five buys in the industrials space in the last two years.

In March 2011, Littlejohn & Co. acquired Weaver Manufacturing, a provider of precision machining and assemblies of structural parts to the general aviation, commercial, and military markets. The company specializes in aluminum and titanium mission-critical and large-format parts for global aerospace manufacturers and Tier I suppliers. The purchase represents an add-on to Synchronous Aerospace Group, which Littlejohn acquired in an LBO in 2007. Also in March, in a buyout led by Platinum Equity, Littlejohn acquired an ownership interest in Keystone Automotive, a distributor of specialty automotive parts and accessories, marketed to the automotive after market industry.

## Industrials M&A Activity

In March 2011, H.I.G. Capital acquired Teleflex Marine, a provider of OEM and aftermarket products and accessories for the recreational marine and related markets. The company's products include controls and cables, steering systems, engine and drive parts, fuel system hose, and displays. The business generated sales of \$195 million in 2010. The \$121.6 million purchase price, consisting of \$101.6 million in cash, approximately \$15.5 million in assumed debt, and a \$4.5 million subordinated note from the buyer, valued the business at .6x revenue. Also in March, H.I.G. Capital, in a financial restructuring of the company, acquired an 80 percent ownership stake in Advanced Environmental Recycling (OTCBB: AERT). H.I.G. partnered with the company and the senior management team in the restructuring. AERT manufactures composite building products from recycled plastic and waste wood fiber. The company's products are used as a non-wood alternative building material for the homebuilding market and include decking, door, and window components and exterior trim. AERT generated \$68 million in revenue for the LTM period ended March 2011.

In March 2011, Graham Partners formed a new platform investment with the acquisition of SP Industries, a manufacturer of specialty glassware for the pharmaceutical, biotechnology, educational, industrial, and OEM markets. The company primarily offers laboratory glassware, NMR sample tubes and accessories, spectroscopy supplies, flow tubes, and custom glassware. It also offers precision fabricated glass components for various applications, including lasers, medical instruments, fiber optics, and microwaves. The company generated \$75 million in revenue in 2010. The transaction represents an exit for private equity sponsor Riverlake Partners, which acquired the company in March 2005. The sponsor's Q4 '10 platform investments include Eberle Design, a provider of traffic control products, acquired in December, and Strata Products Worldwide, a provider of engineered products and services that enhance mining infrastructure and safety, acquired in November. Graham has completed seven acquisitions of industrial businesses in the last two years.

In January 2011, Nautic Partners acquired Aavid Thermalloy in partnership with management. Aavid provides thermal management solutions, with a product offering that includes complex assemblies, liquid cooled cold plates, bonded fin heat sinks, integrated heat pipe assemblies, folded fin heat sinks, and convection coolers. Private equity sponsor Willis Stein acquired Aavid Thermal Technologies, the parent company of Thermalloy, in February 2000. In 2006, Willis Stein retained Aavid Thermalloy after selling Aavid Thermal Technologies to Ansys.

In January 2011, Sterling Investment Partners completed two add-ons for portfolio company FCX Performance, including the purchase of Baro Companies and the Solares Controls Division (SCD) of Solares Florida. Baro provides valve automation, pumps, mixers and related products and services, while SCD provides flow control, pressure control, and temperature control products, including flow-meters, flow computer units, transmitters, gauges, process controllers, and process refractometers. FCX has been backed by Sterling since October 2008.



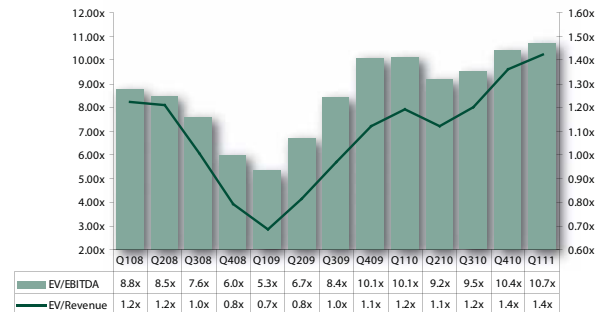


# Industrials Insider

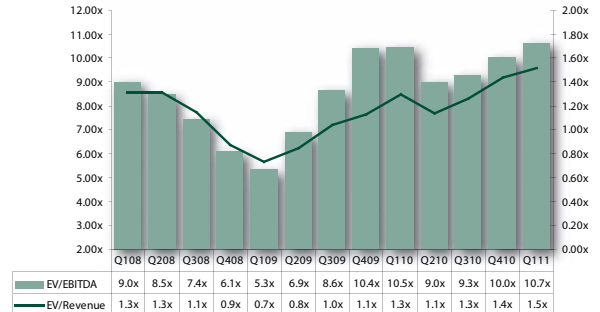
## Industry Valuation

### PUBLIC COMPANY VALUATIONS

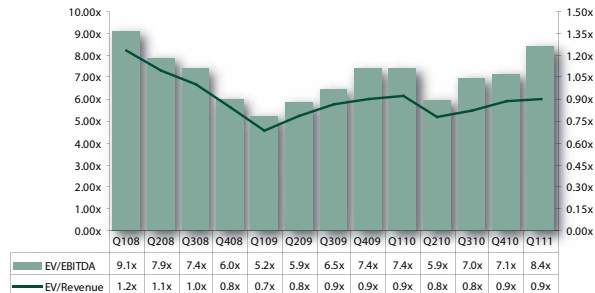
#### Industrials Composite



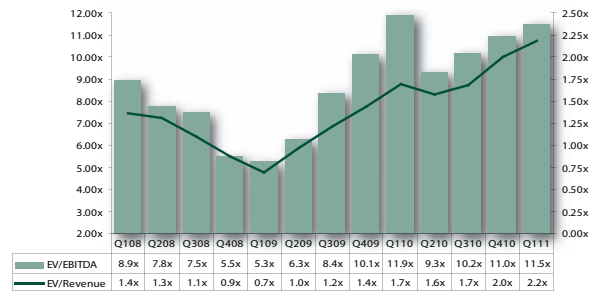
#### Diversified Industrials



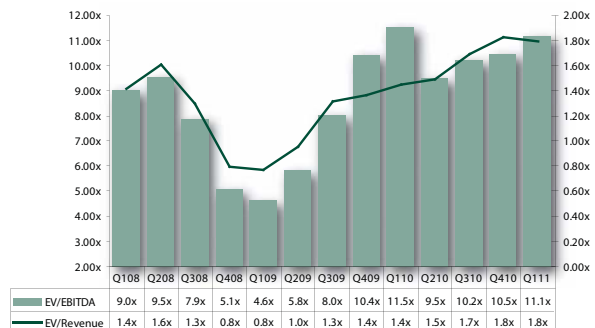
#### Aerospace & Defense



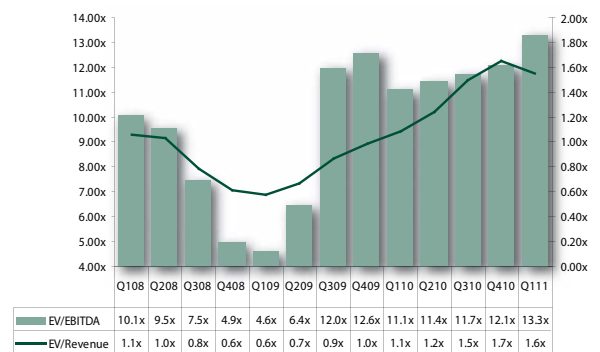
#### Electrical Components and Equipment



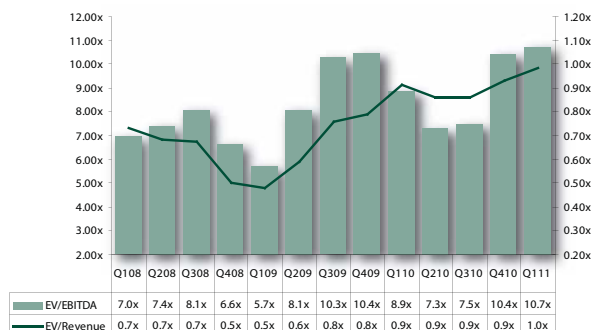
#### Industrial Machinery



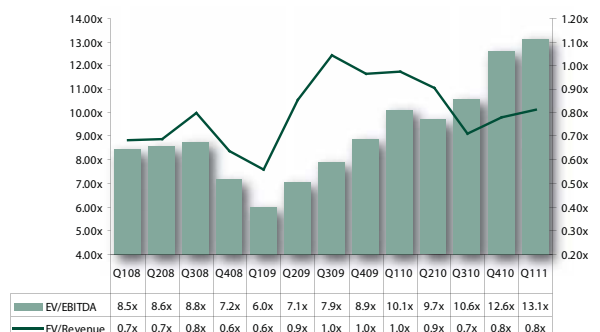
#### Construction, Farm & Other Equipment



#### Building Products



#### Distribution



BGL Industrials indices defined on Pages 11 and 12.  
SOURCE: Capital IQ.





# Industrials Insider

## Industry Valuation

(\$ in millions, except per share data)

Company Name	Ticker	Current Stock Price (1)	% of 52W High	Market Capitalization (2)	Enterprise Value (3)	TTM Enterprise Value / Revenue	TTM Enterprise Value / EBITDA	Total Debt/ EBITDA	TTM Revenue	TTM Gross	TTM EBITDA	TTM Margins
<b>DIVERSIFIED INDUSTRIALS</b>												
General Electric Co.	NYSE:GE	\$18.28	84.4%	\$193,867.6	\$580,634.6	3.9x	20.3x	16.3x	\$149,179.0	36.4%	19.2%	
United Technologies Corp.	NYSE:UTX	85.33	94.1%	78,099.3	85,465.3	1.5x	9.1x	1.1x	55,630.0	28.2%	16.8%	
3M Co.	NYSE:MMM	92.25	94.2%	65,550.7	67,530.7	2.4x	9.4x	0.8x	27,625.0	47.9%	26.0%	
Honeywell International Inc.	NYSE:HON	56.79	91.2%	44,694.2	48,844.2	1.4x	11.1x	1.7x	34,503.0	23.9%	12.7%	
DanaHER Corp.	NYSE:DHR	51.14	91.2%	34,926.9	36,124.8	2.7x	12.9x	1.0x	13,540.5	51.5%	20.4%	
Tyco International Ltd.	NYSE:TYC	47.23	88.5%	22,148.1	24,445.1	1.4x	7.7x	1.3x	17,138.0	37.5%	18.5%	
Eaton Corporation	NYSE:ETN	48.23	85.4%	16,456.1	19,251.1	1.3x	10.1x	1.8x	14,415.0	30.1%	13.2%	
Ingersoll-Rand Plc	NYSE:IR	43.53	83.2%	14,420.0	17,278.5	1.2x	9.5x	2.0x	14,451.2	28.2%	12.5%	
Parker Hannifin Corporation	NYSE:PH	85.73	86.2%	13,903.3	14,754.1	1.3x	8.4x	1.1x	11,722.5	24.1%	15.1%	
Dover Corp.	NYSE:DOV	64.51	93.2%	12,036.2	12,883.7	1.7x	9.3x	1.6x	7,508.4	38.2%	18.4%	
ITT Corporation	NYSE:ITT	56.64	88.5%	10,427.4	10,792.4	1.0x	6.5x	0.9x	11,177.0	29.0%	14.9%	
Textron Inc.	NYSE:TXT	22.44	77.7%	6,197.0	10,915.0	1.0x	11.4x	6.0x	10,794.0	16.8%	8.9%	
Carlisle Companies Inc.	NYSE:CSL	47.48	93.8%	2,906.3	3,318.0	1.2x	10.3x	1.6x	2,674.0	21.7%	12.1%	
<b>Median</b>		<b>\$51.14</b>	<b>88.5%</b>	<b>\$16,456.1</b>	<b>\$19,251.1</b>	<b>1.4x</b>	<b>9.5x</b>	<b>1.3x</b>	<b>\$14,415.0</b>	<b>29.0%</b>	<b>15.1%</b>	
<b>Mean</b>		<b>\$55.35</b>	<b>88.6%</b>	<b>\$39,664.1</b>	<b>\$71,710.6</b>	<b>1.5x</b>	<b>9.6x</b>	<b>1.4x</b>	<b>\$28,489.0</b>	<b>31.8%</b>	<b>16.0%</b>	
<b>AEROSPACE AND DEFENSE</b>												
United Technologies Corp.	NYSE:UTX	\$85.33	94.1%	\$78,099.3	\$85,465.3	1.5x	9.1x	1.1x	\$55,630.0	28.2%	16.8%	
Boeing Co.	NYSE:BA	71.62	88.8%	52,875.3	56,887.3	0.9x	9.1x	1.9x	64,000.0	19.1%	9.7%	
Lockheed Martin Corporation	NYSE:LMT	79.67	96.7%	27,846.5	29,008.5	0.6x	5.7x	1.1x	46,099.0	10.5%	10.3%	
General Dynamics Corp.	NYSE:GD	73.26	93.6%	27,252.7	27,971.7	0.9x	6.2x	0.7x	32,514.0	18.3%	13.9%	
Northrop Grumman Corporation	NYSE:NOC	66.97	92.4%	19,603.5	19,490.5	0.6x	5.0x	1.0x	34,577.0	18.0%	11.4%	
Raytheon Co.	NYSE:RTN	48.40	91.1%	17,239.1	18,331.1	0.7x	6.5x	1.3x	25,192.0	18.9%	11.3%	
Goodrich Corp.	NYSE:GR	93.28	98.8%	11,648.0	13,238.2	1.8x	9.7x	1.7x	7,167.6	30.9%	19.0%	
Rockwell Collins Inc.	NYSE:COL	59.92	89.0%	9,230.9	9,535.9	2.0x	9.6x	0.5x	4,829.0	27.9%	20.4%	
L-3 Communications Holdings Inc.	NYSE:LLL	84.57	96.5%	8,975.2	12,653.2	0.8x	6.4x	2.1x	15,657.0	12.2%	12.5%	
Spirit AeroSystems Holdings Inc	NYSE:SPR	20.65	78.0%	2,945.4	3,837.1	0.9x	7.8x	2.4x	4,178.7	14.3%	11.8%	
Moog Inc.	NYSE:MOG.A	42.14	90.7%	1,933.8	2,552.5	1.1x	8.3x	2.3x	2,237.2	29.1%	13.8%	
<b>Median</b>		<b>\$71.62</b>	<b>92.4%</b>	<b>\$17,239.1</b>	<b>\$18,331.1</b>	<b>0.9x</b>	<b>7.8x</b>	<b>1.3x</b>	<b>\$25,192.0</b>	<b>18.9%</b>	<b>12.5%</b>	
<b>Mean</b>		<b>\$65.98</b>	<b>91.8%</b>	<b>\$23,422.7</b>	<b>\$25,361.0</b>	<b>1.1x</b>	<b>7.6x</b>	<b>1.5x</b>	<b>\$26,552.9</b>	<b>20.7%</b>	<b>13.7%</b>	
<b>BUILDING PRODUCTS</b>												
Owens Corning	NYSE:OC	\$36.61	94.2%	\$4,569.1	\$6,475.1	1.3x	10.0x	3.0x	\$4,970.0	18.6%	13.0%	
Masco Corporation	NYSE:MAS	12.08	80.4%	4,325.8	7,140.8	1.0x	15.6x	8.9x	7,512.0	23.6%	6.1%	
Armstrong World Industries, Inc.	NYSE:AWI	44.23	81.0%	2,579.0	3,183.1	1.1x	8.5x	2.6x	2,792.7	24.2%	11.7%	
Lennox International, Inc.	NYSE:LII	42.72	79.0%	2,278.2	2,767.7	0.9x	10.2x	2.1x	3,140.1	28.1%	8.3%	
Simpson Manufacturing Co., Inc.	NYSE:SSD	29.34	92.6%	1,470.2	1,169.0	2.1x	12.2x	0.0x	564.2	43.8%	17.1%	
USG Corporation	NYSE:USG	14.22	71.4%	1,467.4	3,165.4	1.1x	70.3x	51.3x	2,944.0	6.3%	1.5%	
Quanex Building Products Corporation	NYSE:NX	15.58	72.1%	578.9	523.2	0.6x	9.7x	0.0x	810.4	16.1%	6.6%	
Griffon Corporation	NYSE:GFF	9.88	69.0%	626.4	1,093.6	0.7x	12.5x	7.7x	1,565.4	21.6%	5.6%	
Ameron International Corporation	NYSE:AMN	66.87	78.4%	611.1	450.8	0.9x	10.0x	0.7x	504.1	23.6%	9.0%	
Universal Forest Products Inc.	NasdaqGS:UFPI	23.80	59.7%	464.7	598.5	0.3x	9.9x	2.1x	1,885.1	11.7%	3.2%	
<b>Median</b>		<b>\$26.57</b>	<b>78.7%</b>	<b>\$1,468.8</b>	<b>\$1,968.3</b>	<b>0.9x</b>	<b>10.0x</b>	<b>2.1x</b>	<b>\$2,338.9</b>	<b>22.6%</b>	<b>7.5%</b>	
<b>Mean</b>		<b>\$29.53</b>	<b>77.8%</b>	<b>\$1,897.1</b>	<b>\$2,656.7</b>	<b>1.0x</b>	<b>11.0x</b>	<b>3.0x</b>	<b>\$2,668.8</b>	<b>21.8%</b>	<b>8.2%</b>	
<b>ELECTRICAL COMPONENTS AND EQUIPMENT</b>												
Emerson Electric Co.	NYSE:EMR	\$53.87	86.6%	\$40,492.5	\$44,183.5	2.0x	9.4x	1.1x	\$22,647.0	39.6%	20.8%	
Johnson Controls Inc.	NYSE:JCI	39.52	92.9%	26,812.3	31,307.3	0.8x	10.9x	1.8x	37,261.0	15.4%	6.9%	
Rockwell Automation Inc.	NYSE:ROK	81.14	82.6%	11,709.1	11,593.7	2.1x	13.3x	1.0x	5,454.9	39.5%	16.0%	
Cooper Industries plc	NYSE:CBE	58.31	83.3%	9,622.3	10,050.1	2.0x	11.3x	1.7x	5,115.0	33.5%	16.7%	
Roper Industries Inc.	NYSE:ROP	80.88	91.1%	7,752.5	8,732.8	3.5x	12.8x	1.8x	2,497.0	53.7%	27.3%	
Ametek Inc.	NYSE:AME	42.36	90.1%	6,812.3	7,733.9	2.9x	12.7x	1.8x	2,632.1	33.7%	23.1%	
Hubbell Inc.	NYSE:HUB.B	62.07	85.0%	3,705.7	3,803.2	1.4x	8.3x	1.3x	2,628.8	32.6%	17.4%	
Thomas & Betts Corp.	NYSE:TNB	50.90	82.3%	2,668.5	2,826.5	1.4x	8.7x	1.8x	2,073.9	31.6%	15.7%	
Regal Beloit Corporation	NYSE:RBC	64.01	83.5%	2,473.2	2,735.5	1.1x	8.6x	1.5x	2,393.3	24.4%	13.2%	
<b>Median</b>		<b>\$58.31</b>	<b>85.0%</b>	<b>\$7,752.5</b>	<b>\$8,732.8</b>	<b>2.0x</b>	<b>10.9x</b>	<b>1.7x</b>	<b>\$2,632.1</b>	<b>33.5%</b>	<b>16.7%</b>	
<b>Mean</b>		<b>\$59.23</b>	<b>86.4%</b>	<b>\$12,449.8</b>	<b>\$13,663.0</b>	<b>1.9x</b>	<b>10.7x</b>	<b>1.5x</b>	<b>\$9,189.2</b>	<b>33.8%</b>	<b>17.5%</b>	

NOTE: Figures in bold and italic type were excluded from median and mean calculation.  
(1) As of 6/28/2011.

(2) Market Capitalization is the aggregate value of a firm's outstanding common stock.

(3) Enterprise Value is the total value of a firm (including all debt and equity).

Source: Capital IQ.





# Industrials Insider

## Industry Valuation

(\$ in millions, except per share data)

Company Name	Ticker	Current Stock Price (1)	% of 52W High	Market Capitalization (2)	Enterprise Value (3)	TTM Enterprise Value / Revenue	EBITDA	Total Debt/ EBITDA	TTM Revenue	TTM Margins Gross	EBITDA
<b>INDUSTRIAL MACHINERY</b>											
Illinois Tool Works Inc.	NYSE:ITW	\$54.75	93.1%	\$27,377.7	\$29,653.7	1.8x	9.7x	1.1x	\$16,520.4	35.4%	18.5%
Flowserve Corp.	NYSE:FLS	104.93	77.3%	5,858.0	6,106.3	1.5x	8.8x	0.8x	4,070.3	35.0%	16.6%
Pall Corp.	NYSE:PLL	54.42	91.5%	6,330.1	6,475.7	2.5x	11.3x	1.1x	2,639.1	50.5%	21.7%
Timken Co.	NYSE:TKR	47.41	82.0%	4,641.8	4,544.8	1.0x	6.2x	0.7x	4,395.9	25.9%	16.5%
Donaldson Company, Inc.	NYSE:DCI	58.61	93.0%	4,473.8	4,446.7	2.0x	12.4x	0.9x	2,183.8	35.4%	16.4%
Gardner Denver Inc.	NYSE:GDI	79.55	91.5%	4,158.9	4,270.2	2.1x	12.1x	0.8x	2,004.8	33.8%	17.7%
SPX Corporation	NYSE:SPW	78.56	90.2%	4,006.6	4,861.9	1.0x	9.3x	2.5x	5,001.2	29.4%	9.8%
Pentair, Inc.	NYSE:PNR	38.83	95.7%	3,821.6	4,701.8	1.5x	10.6x	1.9x	3,114.0	31.0%	14.2%
IDEX Corporation	NYSE:IEX	43.39	91.3%	3,596.2	3,920.6	2.5x	11.5x	1.5x	1,584.6	41.1%	21.5%
Lincoln Electric Holdings Inc.	NasdaqGS:LECO	33.76	85.2%	2,847.7	2,619.8	1.2x	9.7x	0.4x	2,198.4	27.3%	12.1%
Crane Co.	NYSE:CR	46.97	91.8%	2,740.6	2,915.2	1.3x	9.0x	1.2x	2,298.6	34.0%	14.0%
Trinity Industries Inc.	NYSE:TRN	32.12	84.2%	2,566.2	5,180.9	2.2x	9.9x	5.6x	2,379.3	21.7%	21.9%
CLARCOR Inc.	NYSE:CLC	45.92	99.9%	2,314.8	2,212.9	2.1x	11.2x	0.1x	1,072.7	34.0%	18.4%
<b>Median</b>		<b>\$47.41</b>	<b>91.5%</b>	<b>\$4,006.6</b>	<b>\$4,544.8</b>	<b>1.8x</b>	<b>9.9x</b>	<b>1.1x</b>	<b>\$2,379.3</b>	<b>34.0%</b>	<b>16.6%</b>
<b>Mean</b>		<b>\$55.32</b>	<b>89.7%</b>	<b>\$5,748.8</b>	<b>\$6,300.8</b>	<b>1.7x</b>	<b>10.1x</b>	<b>1.4x</b>	<b>\$3,804.9</b>	<b>33.4%</b>	<b>16.9%</b>
<b>CONSTRUCTION, FARM, AND OTHER INDUSTRIAL EQUIPMENT</b>											
Caterpillar Inc.	NYSE:CAT	\$100.80	86.5%	\$64,985.1	\$91,485.1	1.9x	12.1x	3.9x	\$47,299.0	27.2%	16.1%
Deere & Company	NYSE:DE	80.69	80.9%	33,866.3	56,486.2	1.9x	12.5x	5.8x	29,067.8	29.9%	15.5%
Cummins Inc.	NYSE:CMI	97.39	80.2%	19,112.1	19,125.1	1.3x	8.6x	0.4x	14,608.0	24.1%	12.6%
PACCAR Inc.	NasdaqGS:PCAR	48.92	83.3%	17,878.7	20,753.3	1.8x	14.3x	3.8x	11,345.8	13.2%	12.8%
Joy Global, Inc.	NasdaqGS:JOYG	87.11	84.2%	9,150.0	8,480.1	2.2x	10.0x	0.5x	3,831.2	33.9%	22.2%
CNH Global NV	NYSE:CNH	36.30	66.7%	8,655.2	20,623.2	1.3x	9.3x	7.5x	16,170.0	23.9%	12.9%
AGCO Corporation	NYSE:AGCO	46.55	77.8%	4,413.3	4,795.9	0.7x	7.6x	1.1x	7,366.1	18.9%	7.9%
Navistar International Corp.	NYSE:NAV	53.43	74.7%	3,887.4	7,761.4	0.6x	10.7x	6.2x	12,691.0	18.9%	6.2%
Terex Corp.	NYSE:TEX	26.00	67.5%	2,849.6	3,204.5	0.7x	<b>33.0x</b>	<b>14.6x</b>	4,738.5	14.4%	2.0%
Oshkosh Corporation	NYSE:OSK	27.92	69.6%	2,543.3	3,271.2	0.4x	3.2x	1.1x	7,990.5	18.2%	12.6%
<b>Median</b>		<b>\$51.18</b>	<b>79.0%</b>	<b>\$8,902.6</b>	<b>\$13,802.6</b>	<b>1.3x</b>	<b>10.0x</b>	<b>3.8x</b>	<b>\$12,018.4</b>	<b>18.9%</b>	<b>12.6%</b>
<b>Mean</b>		<b>\$60.51</b>	<b>77.1%</b>	<b>\$16,734.1</b>	<b>\$23,598.6</b>	<b>1.3x</b>	<b>9.8x</b>	<b>3.0x</b>	<b>\$15,510.8</b>	<b>20.7%</b>	<b>11.2%</b>
<b>BUILDING PRODUCTS</b>											
Owens Corning	NYSE:OC	\$36.61	94.2%	\$4,569.1	\$6,475.1	1.3x	10.0x	3.0x	\$4,970.0	18.6%	13.0%
Masco Corporation	NYSE:MAS	12.08	80.4%	4,325.8	7,140.8	1.0x	15.6x	8.9x	7,512.0	23.6%	6.1%
Armstrong World Industries, Inc.	NYSE:AWI	44.23	81.0%	2,579.0	3,183.1	1.1x	8.5x	2.6x	2,792.7	24.2%	11.7%
Lennox International, Inc.	NYSE:LII	42.72	79.0%	2,278.2	2,767.7	0.9x	10.2x	2.1x	3,140.1	28.1%	8.3%
Simpson Manufacturing Co., Inc.	NYSE:SSD	29.34	92.6%	1,470.2	1,169.0	2.1x	12.2x	0.0x	564.2	43.8%	17.1%
USG Corporation	NYSE:USG	14.22	71.4%	1,467.4	3,165.4	1.1x	<b>70.3x</b>	<b>51.3x</b>	2,944.0	6.3%	1.5%
Quanex Building Products Corporation	NYSE:NX	15.58	72.1%	578.9	523.2	0.6x	9.7x	0.0x	810.4	16.1%	6.6%
Griffon Corporation	NYSE:GFF	9.88	69.0%	626.4	1,093.6	0.7x	12.5x	7.7x	1,565.4	21.6%	5.6%
Ameron International Corporation	NYSE:AMN	66.87	78.4%	611.1	450.8	0.9x	10.0x	0.7x	504.1	23.6%	9.0%
Universal Forest Products Inc.	NasdaqGS:UFPI	23.80	59.7%	464.7	598.5	0.3x	9.9x	2.1x	1,885.1	11.7%	3.2%
<b>Median</b>		<b>\$26.57</b>	<b>78.7%</b>	<b>\$1,468.8</b>	<b>\$1,968.3</b>	<b>0.9x</b>	<b>10.0x</b>	<b>2.1x</b>	<b>\$2,338.9</b>	<b>22.6%</b>	<b>7.5%</b>
<b>Mean</b>		<b>\$29.53</b>	<b>77.8%</b>	<b>\$1,897.1</b>	<b>\$2,656.7</b>	<b>1.0x</b>	<b>11.0x</b>	<b>3.0x</b>	<b>\$2,668.8</b>	<b>21.8%</b>	<b>8.2%</b>
<b>DISTRIBUTION</b>											
W.W. Grainger, Inc.	NYSE:GWW	\$148.12	96.4%	\$10,260.4	\$10,498.2	1.4x	9.8x	0.5x	\$7,393.4	42.3%	14.4%
Fastenal Company	NasdaqGS:FAST	34.25	98.2%	10,099.0	9,948.0	<b>4.2x</b>	<b>19.5x</b>	0.0x	2,389.3	52.0%	21.3%
MSC Industrial Direct Co. Inc.	NYSE:MSM	65.19	82.3%	4,149.2	4,073.6	2.2x	12.4x	0.0x	1,867.9	45.8%	17.6%
WESCO International Inc.	NYSE:WCC	51.70	79.7%	2,228.0	2,913.0	0.5x	10.2x	2.6x	5,346.6	19.8%	5.3%
Watsco Inc.	NYSE:WSO	66.15	90.1%	2,174.9	2,296.6	0.8x	12.5x	0.1x	2,869.2	23.9%	6.4%
Applied Industrial Technologies, Inc.	NYSE:AIT	34.41	95.6%	1,458.0	1,369.5	0.6x	7.8x	0.0x	2,146.1	27.8%	8.2%
Beacon Roofing Supply Inc.	NasdaqGS:BECN	22.24	95.4%	1,022.4	1,182.4	0.7x	11.8x	3.4x	1,658.0	22.4%	6.1%
<b>Median</b>		<b>\$51.70</b>	<b>95.4%</b>	<b>\$2,228.0</b>	<b>\$2,913.0</b>	<b>0.8x</b>	<b>11.0x</b>	<b>0.1x</b>	<b>\$2,389.3</b>	<b>27.8%</b>	<b>8.2%</b>
<b>Mean</b>		<b>\$60.29</b>	<b>91.1%</b>	<b>\$4,484.6</b>	<b>\$4,611.6</b>	<b>1.0x</b>	<b>11.0x</b>	<b>0.9x</b>	<b>\$3,381.5</b>	<b>33.4%</b>	<b>11.3%</b>

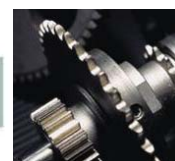
NOTE: Figures in bold and italic type were excluded from median and mean calculation.

(1) As of 6/28/2011.

(2) Market Capitalization is the aggregate value of a firm's outstanding common stock.

(3) Enterprise Value is the total value of a firm (including all debt and equity).

Source: Capital IQ.



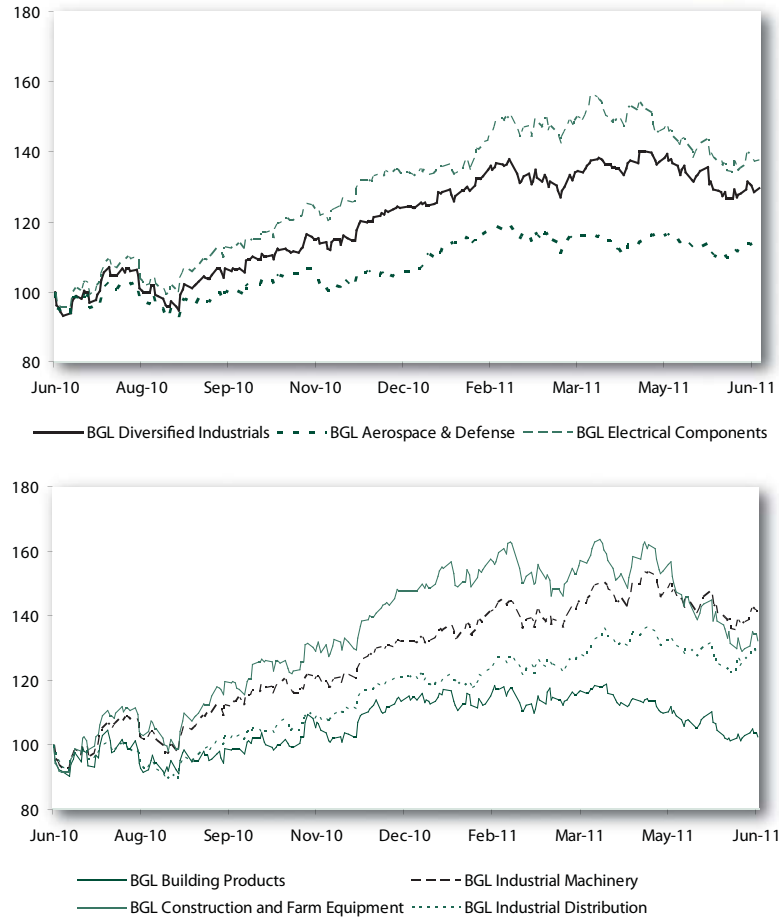




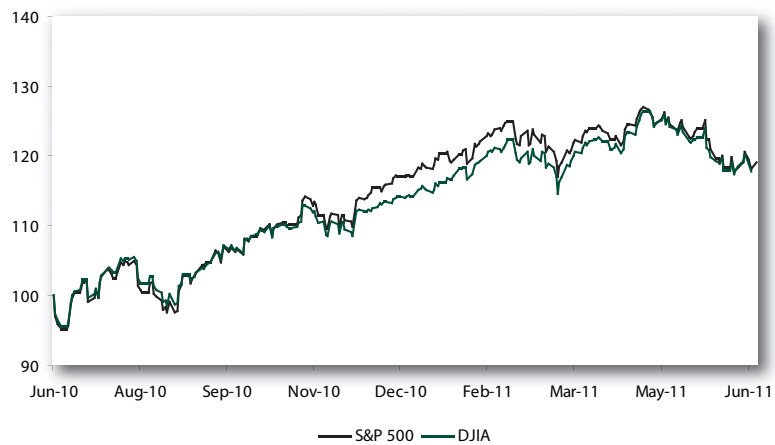
## Industry Valuation

### Index Performance

#### Industrials



#### Market



Index: June 28, 2010 = 100.

Source: Capital IQ





# Global Industrials Practice

 <b>EdgeTech</b> <small>an wholly-owned subsidiary of</small> <b>Lauren International, Inc.</b> <i>has been acquired by</i>  <b>Quanex</b> <small>building products</small>	 <b>GOODMAN SERVICES, INC.</b> <i>has been acquired by</i>  <b>Metalico</b>	 <b>ASHTON POTTER</b> <i>has obtained Senior and Subordinated Credit Facilities provided by</i>  <b>Citizens Bank</b> <i>and</i>  <b>ENR Capital Corporation</b>	 <b>NOVAPAK</b> <small>PVC Container Corporation a portfolio company of</small>  <b>KCP</b> <i>has merged with</i>  <b>PRETIUM PACKAGING</b> <i>which has been acquired by</i>  <b>CASTLE HARLAN, INC.</b>	<i>The melting operations of</i>  <b>COMMERCIAL ALLOYS</b> <i>have been acquired by</i>  <b>Zn</b> <small>IMPERIAL ZINC</small>	<i>The recycling operations of</i>  <b>COMMERCIAL ALLOYS</b> <i>have been acquired by</i>  <b>RMG</b> <small>RECYCLING MANAGEMENT GROUP</small>	 <b>VT Group</b> <small>(LSE:VTG)</small> <i>has divested its</i> <b>Motion Control Group</b> <i>to</i> <b>NAIAD DYNAMICS</b>
<i>A valuation analysis has been completed for</i> <b>SuperiorTube</b> <i>in support of a strategic alternatives analysis</i>	<i>Management has acquired the U.S. division of</i>  <b>St Ives plc</b> <i>and formed</i>  <b>AG</b> <small>ANGSTROM GRAPHICS Creative &amp; Specialty Solutions</small>	 <b>ERIE PLASTICS</b> <i>has been acquired by</i>  <b>BERRY PLASTICS</b> <small>PLASTICS CORPORATION AND SUBSIDIARIES LEADERSHIP BY DESIGN</small>	 <b>METAGA</b> <small>a division of</small>  <b>SECURE PRODUCTS INTERNATIONAL</b> <i>has been acquired by</i>  <b>cpi card group</b> <small>a portfolio company of</small>  <b>TRICON PACIFIC CAPITAL, INC.</b> <small>Private Equity Partners</small>	 <b>ATP</b> <small>Engineered Rubber &amp; Plastics Group a portfolio company of</small>  <b>Apax PARTNERS</b> <i>with interest held by</i>  <b>GoldenTree</b> <small>BLACKROCK KILSO CAPITAL has been acquired by</small>  <b>BAIRD</b>	 <b>WOLVERINE TUBE, INC.</b> <small>A WORLD-CLASS QUALITY PARTNER</small> <i>has divested</i>  <b>WOLVERINE TUBE, INC.</b> <small>to</small>  <b>Standish CAPITAL</b>	 <b>Hodge Foundry</b> <i>has been acquired by</i>  <b>ELYRIA EF FOUNDRY</b> <small>a portfolio company of</small>  <b>SILVERHAWK CAPITAL PARTNERS</b>
 <b>TAD Metals, Inc.</b> <i>has been acquired by</i>  <b>ONEAL</b>	 <b>AVON BEARINGS</b> <i>has been acquired by</i>  <b>KAYDON</b>	 <b>RODEN</b> <small>We're electric and more</small> <i>has been acquired by</i>  <b>KENDALL</b> <small>AN EMPLOYEE-OWNED COMPANY</small>	 <b>WESTERN PNEUMATIC TUBE COMPANY</b> <i>has been acquired by</i>  <b>TINICUM CAPITAL PARTNERS II, L.P.</b>	 <b>Cookson C</b> <i>has divested substantially all of the business and assets of</i>  <b>Monofrax</b> <i>to</i>  <b>RHI</b>	 <b>AIM</b> <small>Aerospace International Materials-OEM, LLC</small> <i>and its affiliate</i>  <b>SUPPLY DYNAMICS</b> <i>have been acquired by</i>  <b>ONEAL</b>	 <b>Castle Harlan Partners IV L.P. (CHPIV)</b> <i>has acquired</i>  <b>POLYPE</b> <small>a subsidiary of</small>  <b>IMI</b> <small>engineering knowledge-based solutions</small>
 <b>WYNNCHURCH CAPITAL</b>	 <b>CORRPRO COMPANIES INC.</b> <small>For Every Corner of Your World</small> <i>has been acquired by</i>  <b>WINGATE PARTNERS</b>	 <b>CORRPRO COMPANIES INC. (AMEX: CO)</b> <i>has sold the assets of its</i> <b>Bass-Trigon Software</b> <small>subsidiary to</small>  <b>AMERICAN INNOVATIONS</b> <small>Minding Your Business</small>	 <b>CORRPRO COMPANIES INC.</b> <i>has sold the assets of its</i> <b>Rohrbach Cosasco System</b> <small>subsidiary to</small>  <b>JST</b> <small>J.S. TECHNICAL SERVICES CO., LTD.</small>	 <b>ist</b> <i>has been acquired by</i>  <b>American Capital</b>	 <b>SKILL TOOL &amp; DIE</b> <i>has been acquired by</i>  <b>M MORGENTHAUER</b>	 <b>ADVANCED LIGHTING TECHNOLOGIES</b> <i>has been acquired by</i>  <b>Saralega Partners</b>
 <b>EATON Power Tool Business Unit</b> <i>has been acquired by</i>  <b>tyco Electronics</b>	 <b>EATON Aeroquip - Vickers S.p.A.</b> <i>has been acquired by</i>  <b>MOOG</b>	 <b>EATON VICKERS Electronic Systems</b> <i>has been acquired by</i>  <b>SIEMENS</b>	<b>American Capital Strategies and Management</b> <i>have acquired</i>  <b>IMT</b> <i>a company divested by</i> <b>Internet Corporation</b>	 <b>General Products Delaware Corporation</b> <i>has been acquired by</i> <b>An Investor Group consisting of three private equity firms and management</b>	<b>Internet Corporation</b> <i>has divested</i> <b>Industrial Powder Coatings Inc.</b> <i>through a sale to</i> <b>MG Capital, L.L.C.</b>	

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