

Industrials Quarterly Update

Q3 2021



DCF's Industrials Practice

Deloitte Corporate Finance LLC (DCF) is a leading global middle-market M&A adviser. Our professionals have extensive knowledge in the Industrials space and use their experience to help clients enhance value.



Industrials Leadership



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Organization Overview

#1

2020 Global M&A
Advisor by deals
completed ⁽¹⁾.

487

Completed deals
in the last 12
months.

- Deep relationships in place to gain **critical strategic intelligence** and effectively market businesses.
- Worldwide, DCF has access to **2,400 Corporate Finance professionals** across 60 countries that serve as value-add partners to the North American team.
- **Top global middle-market financial advisor** in 2020 according to Mergermarket ⁽¹⁾.



Sector Focus

- Automotive
- Building Products, Electrical Products, and Industrial Safety
- Capital Equipment and Rental Services
- Engineering and Construction
- Distribution, Transportation and Logistics
- Metals, Plastics, and Paper Packaging
- Specialty Chemicals

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Case study

R.M. Lucas Co.

Deal Contacts

Eric Andreozzi, Will Frame, Mate Banhegyi



R.M. Lucas Co.
has been acquired by



Artemis Capital Partners

*The undersigned acted as
exclusive financial advisor to
R.M. Lucas Co.*



Client Overview

- Based in Alsip, IL, R.M. Lucas Co. (“the Company”) is a leading manufacturer of premium roofing products. With an innovative approach to product development, the Company boasts over 700 different products, including roof coatings, caulks and sealants, adhesives, and waterproofing products.
- With four facilities across the U.S., R.M. Lucas sells its products through a variety of sales channels, including its own Lucas brand and several private label brands, to a diversified base of over 200 customers.

Situation Overview

- R.M. Lucas engaged Deloitte Corporate Finance (“DCF”) to leverage its experience in the building products space to find the right investor with the industry experience and operational expertise to facilitate rapid growth while providing liquidity to shareholders.
- The transaction provided the majority shareholder sufficient liquidity while achieving upside potential through retained equity interest.

“DCF’s deep experience was invaluable to R.M. Lucas and helped us navigate a number of challenges throughout the transaction process. We are extremely pleased with the result of the transaction and greatly appreciate DCF’s insight as they guided us through the process.”

Robert Barry
Chief Executive Officer
R.M. Lucas Co.

Key Takeaways

- DCF added significant value by:
 - Developing detailed marketing materials to clearly highlight R.M. Lucas’ attractive, defensible position within the North American roofing market.
 - Running a highly competitive marketing process, yielding interest from domestic and foreign strategics, as well as financial acquirors.
 - Assisting the Company’s shareholders with selecting a partner with a complementary cultural fit who met the key transaction objectives of the sellers.
 - Advising the Company on negotiating a seller-friendly deal structure at an attractive valuation level.

Deloitte thought leadership

Deloitte thought leadership

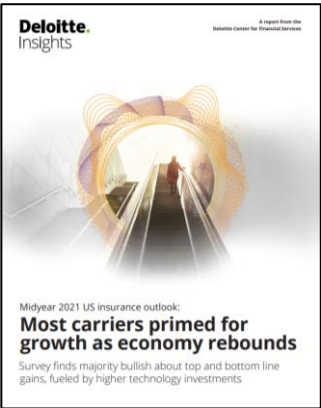
- Deloitte stays abreast of industry trends and makes significant investments in producing cutting-edge thought leadership.
- Deloitte is deeply committed to providing insights that help keep clients on the forefront of critical trends.
- Focused research on industry drivers and trends helps enable Deloitte to demonstrate eminence in the business services market by redefining the lens through which industry leaders operate.

Extensive knowledge network

DCF can leverage its expansive cross-business knowledge network, extensive consulting reports, and in-depth industry research to drive results and provide differentiated insights for our clients.



Recent insights



Notable recent M&A transactions ⁽¹⁾

Automotive 	Dusk Inc.'s acquisition of Navistar International Corporation <ul style="list-style-type: none"> Navistar International Corp. produces commercial trucks, proprietary diesel engines, and commercial buses. Dusk Inc. operates as a subsidiary of Traton SE, which is a leading commercial vehicle manufacturer. The deal will help enable Navistar to meet the growing requirements of the market and to improve its customer offering, especially with respect to the transition to electric mobility and the establishment of autonomous driving. 	Close Date: July 2021 EV: \$9,414.6 MM Rev: \$8,218.0 MM EV/Rev: 1.0x EV/EBITDA: 19.4x
Engineering and Construction 	Vulcan Material Company's acquisition of U.S. Concrete Inc. <ul style="list-style-type: none"> U.S. Concrete Inc. is one of the leading suppliers of aggregates and ready-mixed concrete. Vulcan Materials Co. is a supplier and producer of construction aggregates such as crushed stone, sand and gravel. The acquisition complements Vulcan's existing aggregates business in California and expands its footprint in the New York and New Jersey metropolitan areas. 	Close Date: August 2021 EV: \$2,151.7 MM Rev: \$1,317.0 MM EV/Rev: 1.6x EV/EBITDA: 11.3x
Distribution, Transportation, and Logistics 	Uber Freight's acquisition of Transplace, Inc. <ul style="list-style-type: none"> Transplace Inc. operates as a transportation management and logistics technology services company. Uber Freight is a logistics platform focused on delivering reliability, flexibility and transparency for shippers. The acquisition will expand Uber's presence in Mexico and grow its business into intermodal and customs brokerage. 	Close Date: Pending EV: \$2,250.0 MM Rev: N/A EV/Rev: N/A EV/EBITDA: 22.2x
Metals, Plastics, and Paper Packaging 	Silgan Holdings Inc.'s acquisition of Gateway Plastics Inc. <ul style="list-style-type: none"> Gateway Plastics is a manufacturer of dispensing closures and integrated dispensing packaging solutions. Silgan is a leading supplier of sustainable rigid packaging solutions for consumer goods products. The acquisition further expands Silgan's product offering in dispensing and specialty closures and provides further growth opportunities with existing and shared customers. 	Close Date: September 2021 EV: \$485.0 MM Rev: N/A EV/Rev: N/A EV/EBITDA: 10.5x
Specialty Chemicals 	DL Chemical Co. Ltd.'s acquisition of Kraton Corporation <ul style="list-style-type: none"> Kraton Corp. is a producer of specialty polymers and bio-based products derived from pine wood pulping products. DL Chemical Co., Ltd. operates as a petrochemical company. The acquisition will allow DL Chemical to provide customers with a wider range of innovative products and serve end markets in over 70 countries worldwide. 	Close Date: Pending EV: \$2,626.1 MM Rev: \$1,711.1 MM EV/Rev: 1.3x EV/EBITDA: 6.3x

Automotive

Sector trends

- Increased efforts to reduce vehicular emissions have shifted the focus of the automotive industry toward electric vehicles. With growing environmental concerns, governments and environmental agencies are enacting stringent emission norms and laws that may increase the manufacturing cost of electric drive trains and fuel-efficient diesel engines.
- The growing adoption and expanding market of autonomous, or self-driving vehicles, will be concentrated in North America. This can be attributed to factors like strong and established automotive company clusters and being home to some of the world's biggest technology companies like Google, Microsoft, Apple, etc.
- A strong demand for vehicles followed by the global shortage of microchips has pushed up prices and encouraged carmakers and dealers to reduce or eliminate discounts.

Select recent M&A activity ⁽¹⁾

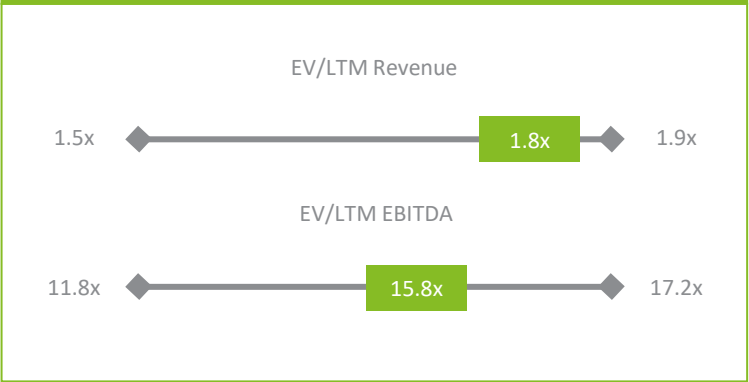
Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Pending	Prime Automotive Group	Group 1	\$880.0	N/A
Pending	RFJ Auto Partners Inc.	Sonic Automotive, Inc.	\$700.0	N/A
Pending	ABC Technologies Holdings Inc.	OCM Luxembourg OPPS XB S.à.r.l.	\$98.6	7.5x
Pending	DexKo Global Inc.	Brookfield Business Partners L.P.	\$3,400.0	N/A
August 2021	Dayton Parts, LLC	Dorman Products, Inc.	\$338.0	N/A
July 2021	Navistar International Corp.	Dusk, Inc.	\$9,414.6	19.4x



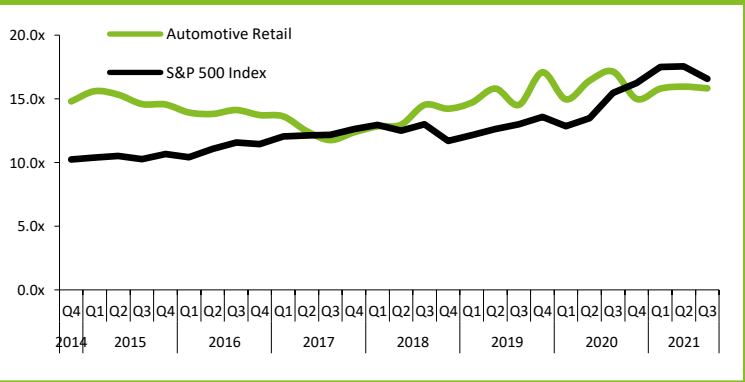
Select public comparables ⁽²⁾

Company Name	Enterprise Value (MM)
Daimler AG	\$237,719.4
Ford Motor Company	\$188,337.8
General Motors Company	\$177,209.1
Honda Motor Co., Ltd.	\$497,640.3
Toyota Motor Corporation	\$395,343.9
Volkswagen AG	\$328,802.9

Trading metrics ⁽³⁾



Historical EV/EBITDA multiples ⁽³⁾



Engineering and Construction

Sector trends

- The E&C industry is currently lagging other industries in digital strategy and maturity, which is inducing pressure on companies to increase the pace of digital investments. However, it’s equally important for E&C companies to ensure these investments deliver value and a strong return on investment.
- As decarbonization initiatives gain momentum, there has been a rise in demand for ESG-friendly buildings.
- With rising demand for construction services, particularly in the residential construction segment, the rate of entry for operators is expected to increase.
- Extremely high construction costs, driven by high material prices and a lack of labor, will strain builders’ ability to supply homes, particularly low-cost starter homes.

Select recent M&A activity ⁽¹⁾

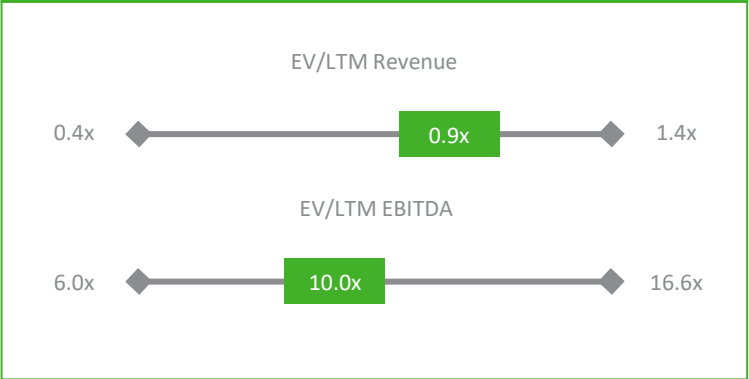
Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
September 2021	The Commodore Corporation	Cavco Industries, Inc.	\$153.0	N/A
September 2021	Vue at the Quarter	Exeter Property Group, LLC	\$79.7	N/A
August 2021	Dagmar Construction, Inc.	Bird Construction, Inc.	\$32.0	N/A
August 2021	Story Book Homes, LLC	Toll Brothers, Inc.	\$38.8	N/A
August 2021	U.S. Concrete, Inc.	Vulcan Materials Company	\$2,151.7	11.3x



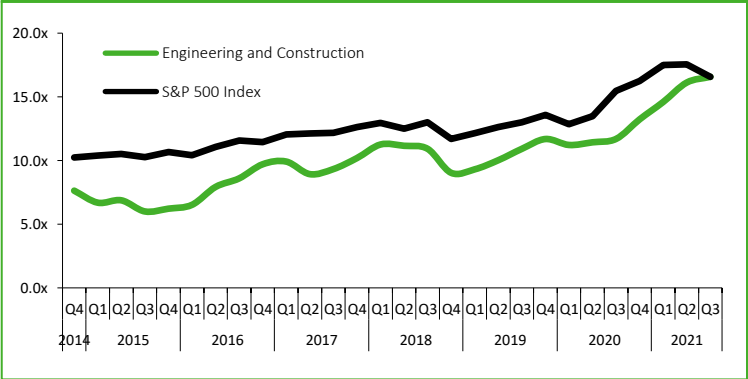
Select public comparables ⁽²⁾

Company Name	Enterprise Value (MM)
Quanta Services, Inc.	\$18,462.9
MasTec, Inc.	\$8,026.1
WSP Global, Inc.	\$17,960.5
AECOM	\$12,097.9
Vulcan Materials Company	\$27,509.2
EMCOR Group, Inc.	\$6,332.7

Trading metrics ⁽³⁾



Historical EV/EBITDA multiples ⁽³⁾



Distribution, Transportation, and Logistics

Sector trends

- Trade continues to steadily improve with consistent growth in the North American economy. However, driver shortages, tight capacity, and stringent regulations are affecting the industry. Ports and airports are investing heavily to increase capacity in order to deal with ongoing demand.
- In response to rising labor costs, logistics providers are looking for operational synergies by cutting back their labor force.
- Due to increasing e-commerce orders and consumers’ demand for quicker deliveries, companies are building smaller warehouses located closer to the customer.
- Logistics companies are rapidly implementing data analytics to streamline operations; efficient use of information flowing through the fulfillment cycle can add value to customers and partners.

Select recent M&A activity ⁽¹⁾

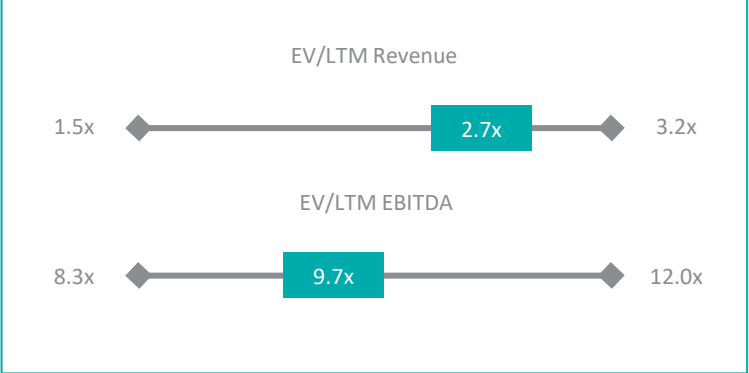
Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Pending	Transplace, Inc.	Uber Freight LLC	\$2,250.0	NM
September 2021	Expedited Logistics and Freight Services, LLC	Janel Group, Inc.	\$47.0	N/A
August 2021	Visible Supply Chain Management, LLC	A.P. Møller - Mærsk A/S	\$838.0	13.0x
July 2021	AAA Cooper Transportation, Inc.	Knight-Swift Transportation Holdings, Inc.	\$1,350.0	9.6x
July 2021	ECM Transport, LLC	Werner Enterprises, Inc.	\$178.0	5.0x
July 2021	Quality Carriers, Inc.	CSX Corporation	\$546.0	N/A



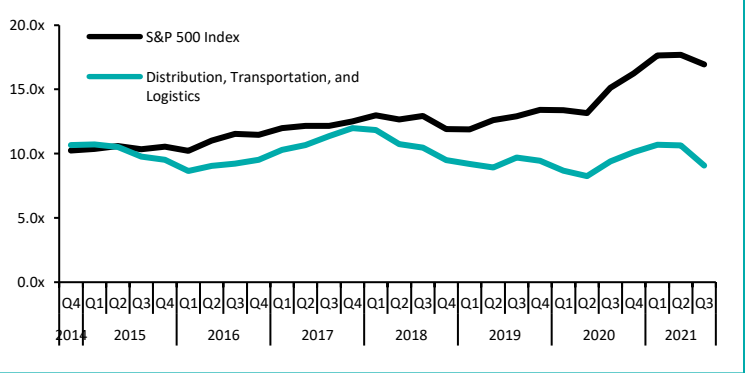
Select public comparables ⁽²⁾

Company Name	Enterprise Value (MM)
Hub Group, Inc.	\$2,681.4
Werner Enterprises, Inc.	\$3,286.7
XPO Logistics, Inc.	\$16,925.0
C.H. Robinson Worldwide, Inc.	\$14,696.0
DSV A/S	\$59,459.4
A.P. Møller - Mærsk A/S	\$60,614.9

Trading metrics ⁽³⁾



Historical EV/EBITDA multiples ⁽³⁾



Metals, Plastics, and Paper Packaging

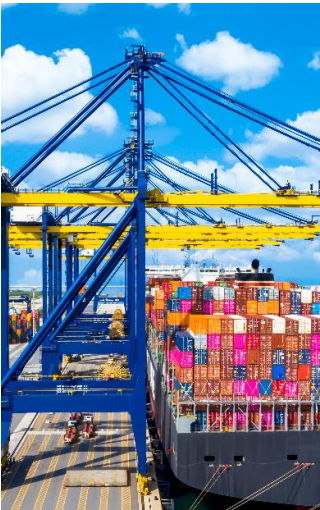
Sector trends

- Due to increasing concerns about overall sustainability, especially related to plastics, manufacturers are switching from virgin plastic to recycled plastic, or rPET.
- The rise in e-commerce retailing has led to a surge in demand for durable and sustainable packaging solutions that can be shipped through various distribution channels.
- A rising demand for eco-friendly packaging has propelled the demand for glass packaging, as it provides enhanced environmental safety relative to other forms of packaging.
- Paper and board is taking away market share from plastic packaging as brands, companies, and governments seek to minimize their use of non-recyclable polymers.

Select recent M&A activity ⁽¹⁾

Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Pending	Alpha Consolidated Holdings, Inc.	Pretium Packaging, LLC	N/A	N/A
Pending	Fort Dearborn Company	Clayton, Dubilier & Rice, LLC	\$6,000.0	N/A
September 2021	Gateway Plastics, Inc.	Silgan Holdings, Inc.	\$485.0	10.5x*
September 2021	Unicep Packaging, LLC	Silgan Holdings, Inc.	\$237.0	12.9x*
August 2021	KushCo Holdings, Inc.	Greenlane Holdings, Inc.	\$136.1	N/A
August 2021	InterFlex Group, Inc.	Toppan Forms Co., Ltd.	N/A	N/A

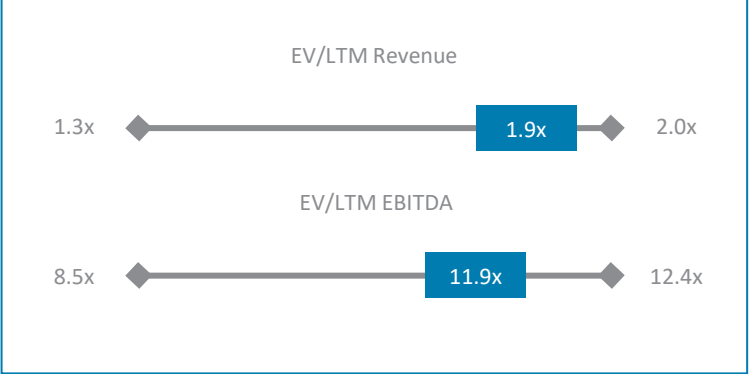
Note(s): * - The EV/EBITDA multiples are based on expected year end EBITDA values of the target.



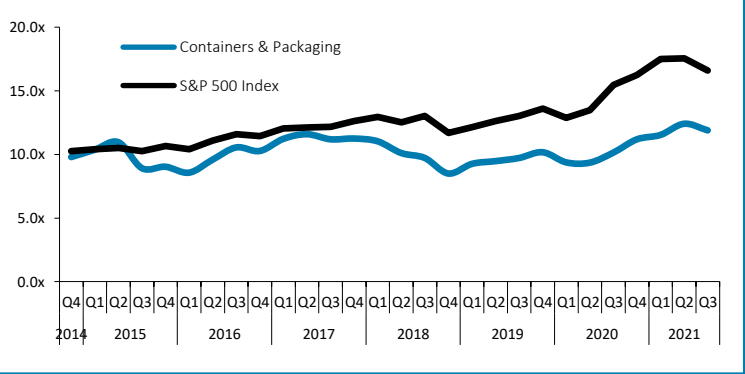
Select public comparables ⁽²⁾

Company Name	Enterprise Value (MM)
Ball Corporation	\$37,603.1
Berry Global Group, Inc.	\$19,171.3
Sonoco Products Company	\$7,289.2
Cascades, Inc.	\$2,741.4
Graphic Packaging Holding Co.	\$10,304.7
Crown Holdings, Inc.	\$19,418.9

Trading metrics ⁽³⁾



Historical EV/EBITDA multiples ⁽³⁾



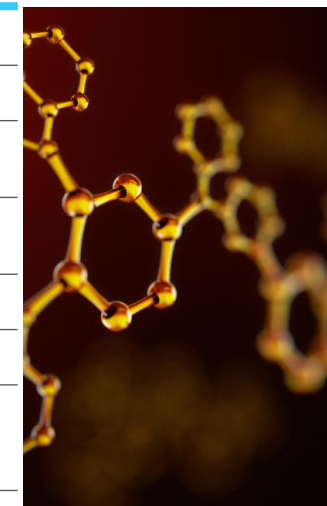
Specialty Chemicals

Sector trends

- Chemical market consumers may increasingly value sustainability and prioritize products based on circularity and carbon footprint, thus driving chemical companies to accelerate their decarbonization technologies, reexamine their existing assets, and begin to diversify away from hydrocarbons where possible.
- The COVID-19 pandemic has spurred an increase in infrastructure activity across the U.S. Additionally, a rise in home sales, coupled with the renovation of existing houses, is boosting the demand for residential construction. Thus, there has been an increase in demand for paints and architectural coatings.
- Due to a rebound in end-use market sectors, new capacity, and the U.S. shale advantage, much of the specialty chemicals manufacturing will be for export.

Select recent M&A activity ⁽¹⁾

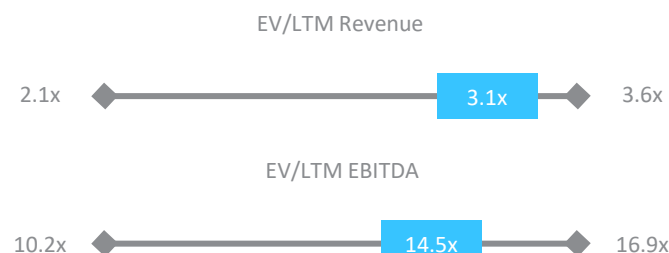
Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
Pending	Kraton Corporation	DL Chemical Co., Ltd.	\$2,626.1	6.3x
Pending	Solenis International LLC	Sigura Water	\$5,250.0	N/A
Pending	International Flavors & Fragrances, Inc.	LANXESS Aktiengesellschaft	\$1,300.0	N/A
September 2021	W.R. Grace & Co.	Standard Industries, Inc.	\$6,726.6	16.0x
September 2021	Henry Company LLC	Carlisle Companies, Inc.	\$1,575.0	13.2x
August 2021	PQ Group Holdings, Inc.	Cerberus Capital Management, L.P.; Koch Minerals & Trading, LLC	\$1,100.0	7.7x



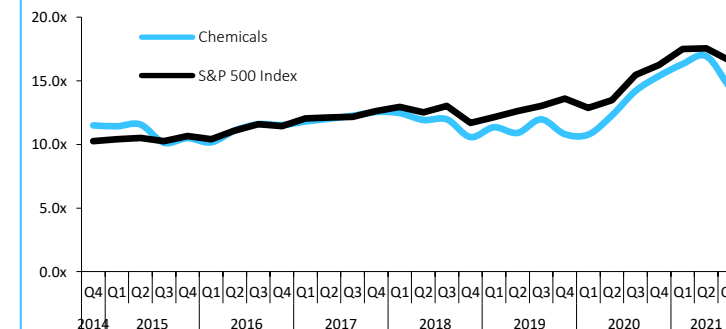
Select public comparables ⁽²⁾

Company Name	Enterprise Value (MM)
Ferro Corporation	\$1,994.6
H.B. Fuller Company	\$5,323.4
RPM International, Inc	\$13,793.2
American Vanguard Corporation	\$632.5
Arkema S.A.	\$10,953.2
Clariant AG	\$8,454.4

Trading metrics ⁽³⁾



Historical EV/EBITDA multiples ⁽³⁾



Appendix

Sources Cited

Page 2:

1. [Mergermarket](#). Accessed November 1, 2021. Data as of January 19, 2021.

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1. Relevant transactions announced in Q3, 2021.
 - a. [S&P Capital IQ](#). Accessed November 1, 2021. Data as of November 1, 2021.
 - b. [Mergermarket](#). Accessed November 1, 2021. Data as of November 1, 2021.

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 - a. [S&P Capital IQ](#). Accessed October 29, 2021. Data as of October 29, 2021.



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