

INDUSTRIAL SERVICES MARKET UPDATE – FALL 2017

TRENDS & COMMENTARY

This is the first issue of a new Industrial Services newsletter which will be published biannually, focusing on trends in our coverage sectors as informed by M&A and capital markets activity. In our Fall 2017 market update, we focus on key trends in the Industrial Distribution market. CHILDS regards Industrial Distribution as encompassing distribution of construction supplies and hardware, MRO supplies, electrical and lighting products, building products, heavy equipment and performance materials, chemicals, and other related industrial materials.

Strong Macro Trends Driving Growth

Robust U.S. manufacturing and construction activity is driving market growth across the industrial distribution market, as evidenced by strong readings in the Institute for Supply Management (ISM) and Industrial Supply Association (ISA) Distributor indices. The ISM index, which measures manufacturing activity based on employment, production, inventories, and new orders, surged to 60.8 in September, its highest reading since May 2004. The ISA Distributor index, another leading indicator of activity in the distribution market, reached 72.4 in September, the highest reading in three years. In line with this positive economic activity, publicly traded distributors are trading near 52-week highs. The sustained increase in U.S. manufacturing and industrial production activity creates a favorable near-term outlook for industrial distributors.

Increased Use of Technology and Analytics

In an increasingly competitive landscape, investors are seeking distributors that effectively utilize data analytics and technology to create competitive differentiation. Robust analytic capability and access to and control of data is critical for distributors to compete effectively. Customers increasingly demand that their distribution partners possess real-time knowledge of their orders and products such as modifications, shipment arrival, dimensions, etc. Distributors that utilize advanced technology platforms and data analytics can more consistently maintain positive customer interactions and monitor operational processes.

Continued Market Consolidation

Industrial distribution has long been a favored sector for private equity, and while deal volume has declined somewhat since the 2015 peak, the sponsor community continues to aggressively invest in platform and add-on acquisitions. Meanwhile, publicly traded strategics, emboldened by increasing stock prices in this sustained bull market, have increased M&A activity and continue to drive consolidation in their respective end markets.

SPOTLIGHT ON RECENT CHILDS DISTRIBUTION TRANSACTION



has been recapitalized by



October 2017



CHILDS Advisory Partners served as the exclusive financial advisor to America II Electronics (“America II” or the “Company”), a leading global distributor of electronic components, in its recapitalization by Wynnchurch Capital, a Chicago-based middle-market private equity firm.

Founded in 1989, America II supplies a broad array of electronic components for use in higher value-add applications across diversified end-markets including industrial controls and sensors, medical devices, data networks, internet-connected products, and material handling/transportation equipment. The Company has a global footprint and sources and stocks 1 billion+ components with 100,000+ unique SKUs.

CHILDS Transaction Team

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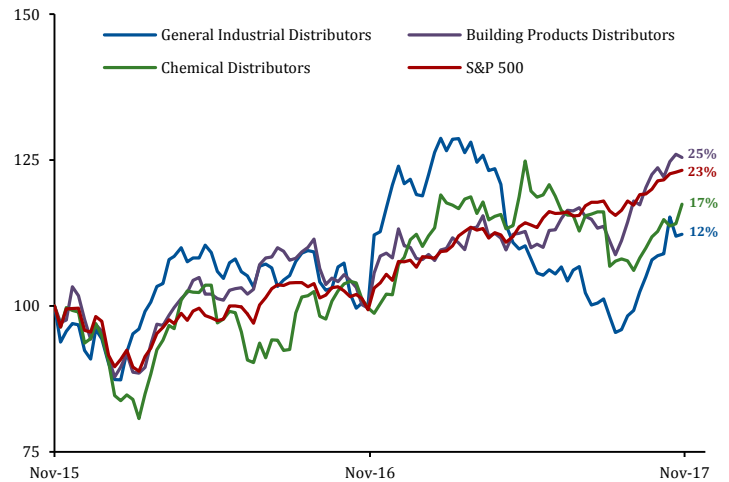
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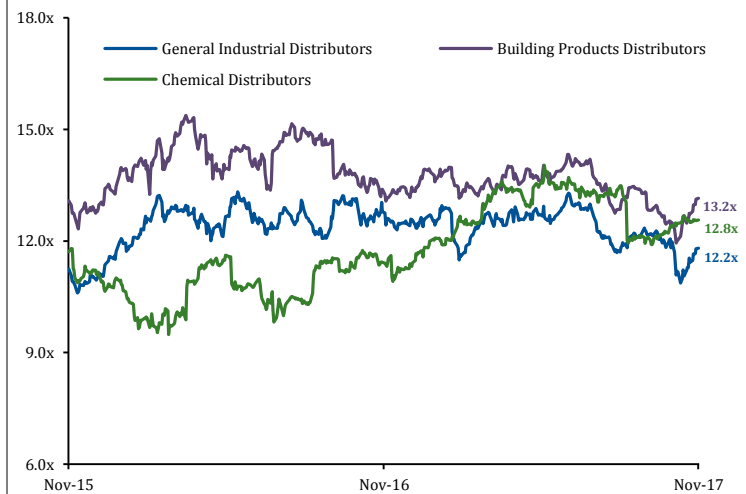
INDUSTRIAL DISTRIBUTION VALUATIONS AND TRANSACTION ACTIVITY

- North American industrial distribution equities tend to track the performance of the broader market, a result of their reliance on overall economic activity
- Consistent with this, industrial distribution equities have performed in line with the S&P 500 over the last two years
- Since late 2015, share price appreciation for distributors of industrial equipment, components, and chemicals has been driven by multiple expansion as well as profit growth
- By contrast, building product distributors equities have appreciated almost exclusively due to underlying profit growth, a consequence of steadily increasing housing starts and commercial construction
- Industrial distribution M&A activity has been elevated since 2011 and, with the exception of 2009, generally experienced steady growth from the early 2000s to 2015
- Although transaction activity remains elevated, 2016-2017 transaction levels declined significantly relative to 2015, which appears to have been the peak
- Private equity activity in industrial distribution has increased as well, as financial buyers seek to deploy ever-growing AUM via platform / bolt-on strategies, with the intent to generate returns via multiple arbitrage and, to a lesser extent, synergies and margin expansion

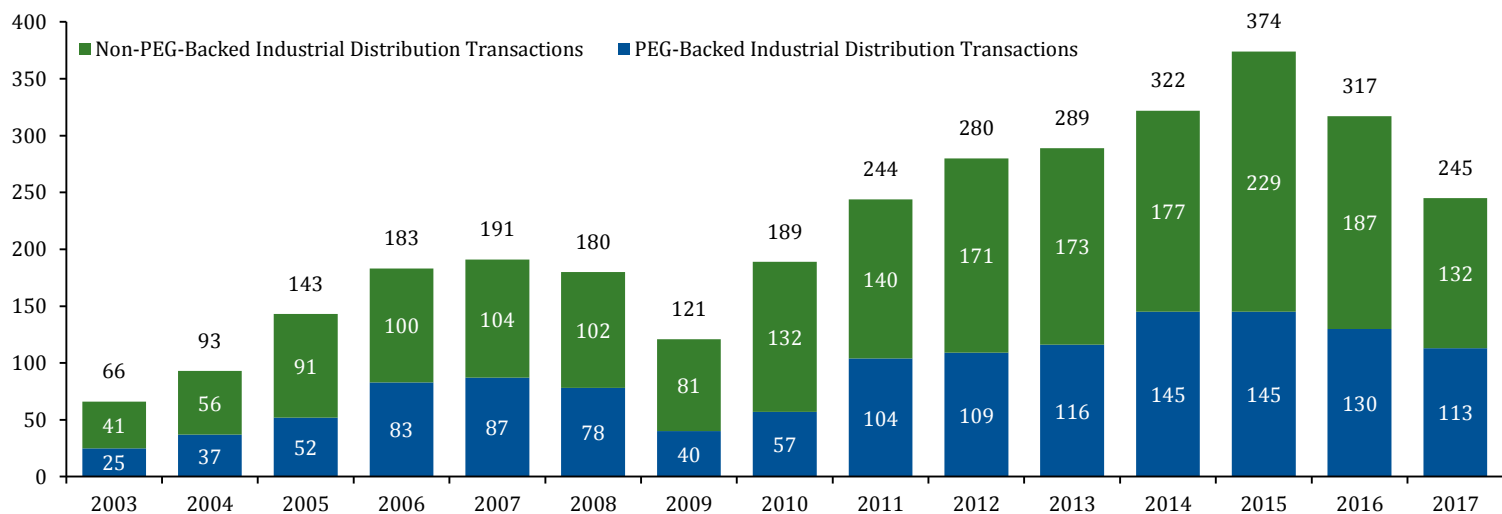
TWO-YEAR INDEXED SHARE PRICE PERFORMANCE



TWO-YEAR VALUATION MULTIPLES – EV/LTM EBITDA



INDUSTRIAL DISTRIBUTION M&A TRANSACTION VOLUME



CHILDS Advisory Partners

INDUSTRIAL SERVICES SECTOR COVERAGE AND M&A TRANSACTIONS

INDUSTRIAL SERVICES SECTOR COVERAGE



FACILITY

- Fire & Life Safety
- Janitorial & Sanitation
- Mechanical & HVAC
- Security & Unarmed Guarding
- Sign, Lighting, & Electrical



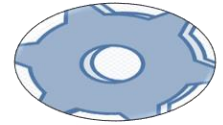
DISTRIBUTION

- Industrial Distribution
- Specialty Distribution
- Route-Based



ENVIRONMENTAL

- Compliance Assurance
- Consulting
- Industrial Cleaning
- Waste Disposal
- Water Treatment



INFRASTRUCTURE

- Energy Services
- Engineering Services
- Utility Services
- MRO Services
- Specialty Contracting

RELEVANT M&A TRANSACTIONS BY SECTOR

FACILITY



has been acquired by



August 2017

GCA is a leading provider of facility services in the education and commercial industries

DISTRIBUTION



has been acquired by



September 2017

NILCO is a two-step distributor of specialty building products in the Midwest and Northeast

ENVIRONMENTAL



has been recapitalized by



August 2017

Stella Environmental provides management services for the processing of municipal solid waste

INFRASTRUCTURE



has been acquired by



September 2017

Coen Energy provides energy products and complementary energy field services



has been recapitalized by



September 2017

Summit Companies is a leading fire and life safety service and installation company

C.H. Spencer LLC

has been acquired by



September 2017

C.H. Spencer is a distributor of industrial pumps, compressors and related systems



has been recapitalized by



September 2017

EVAC Group provides waste and water management systems for marine and building industries



has been acquired by



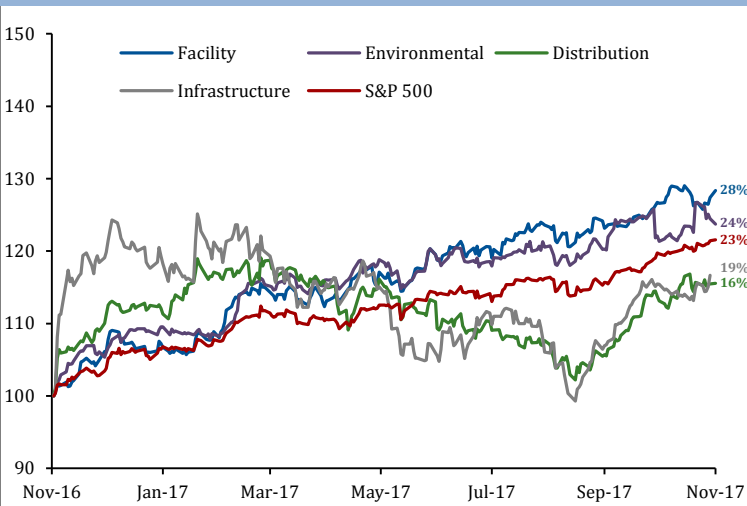
October 2017

Fortner Engineering provides MRO services for the commercial and military aerospace industry

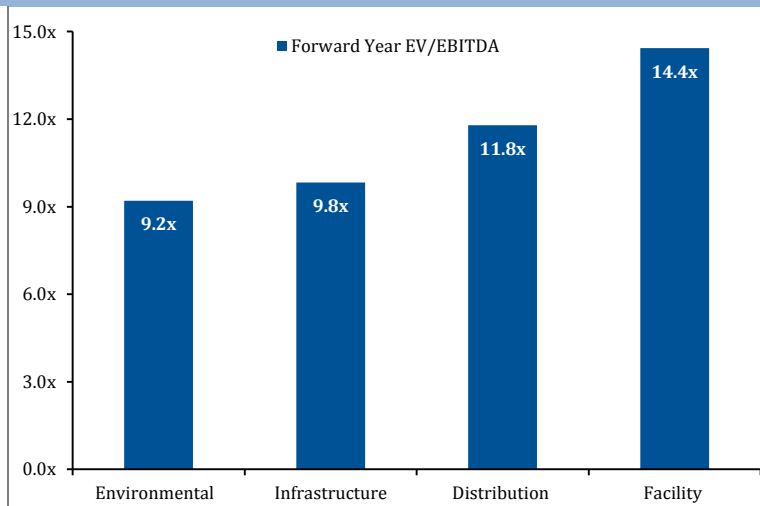
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INDUSTRIAL SERVICES VALUATIONS AND TRANSACTION ACTIVITY

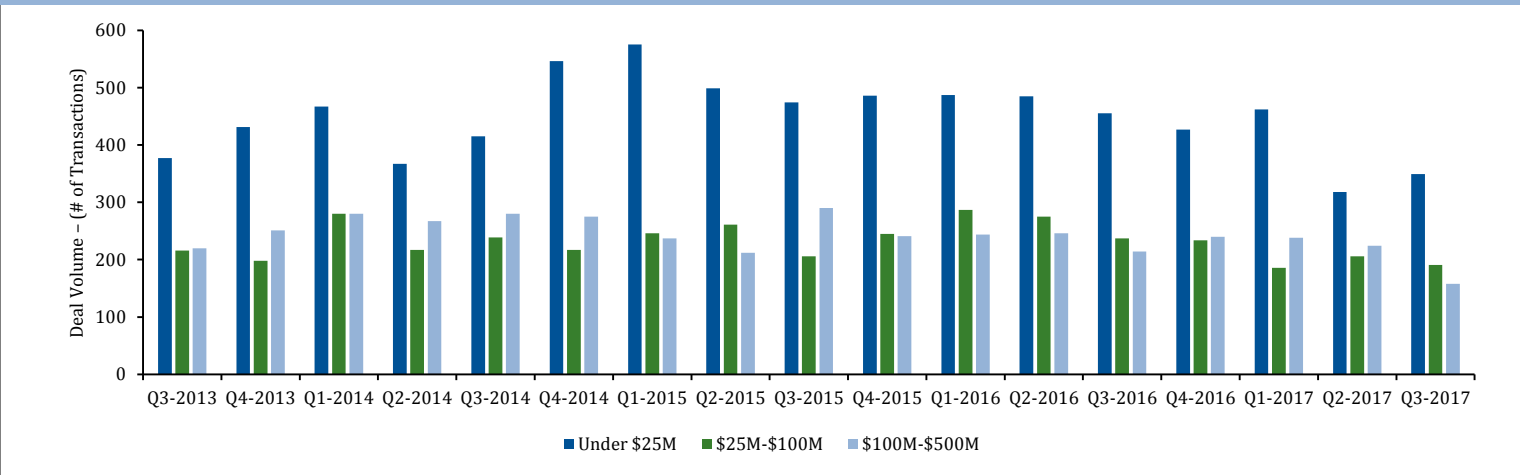
ONE-YEAR INDEXED SHARE PRICE PERFORMANCE



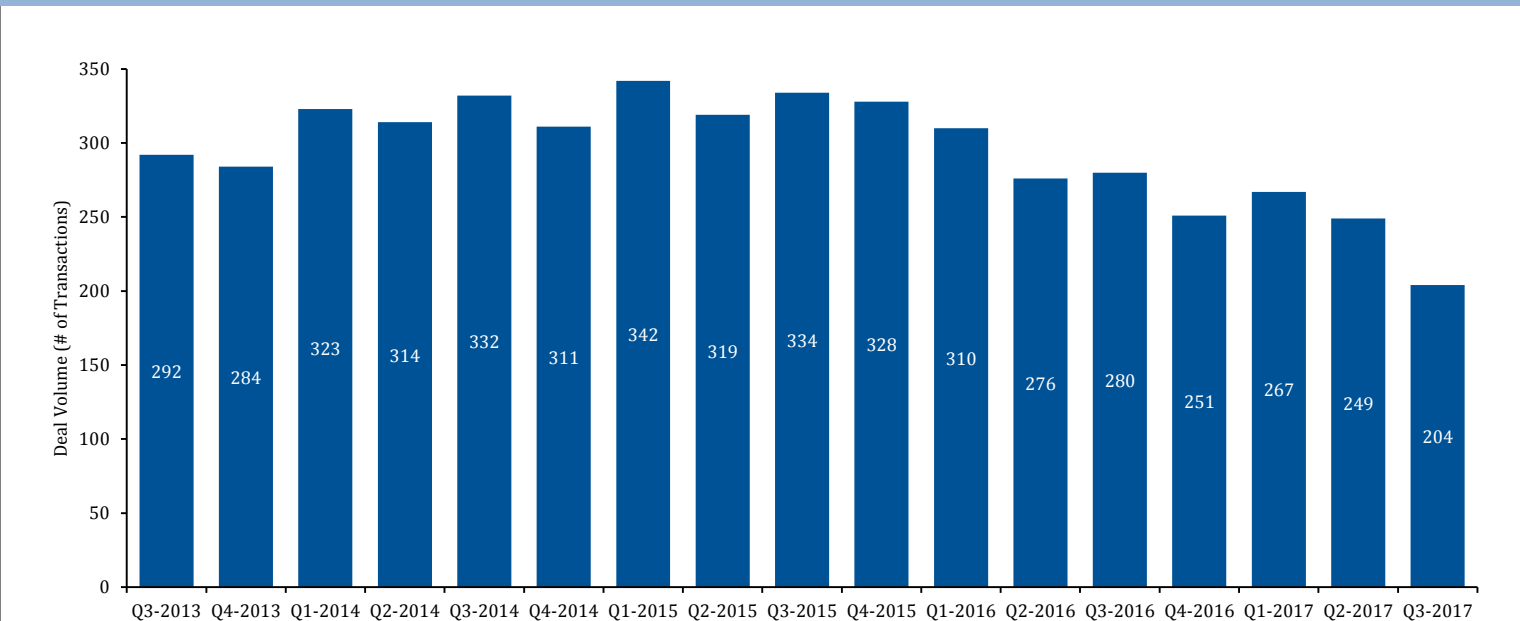
PUBLICLY TRADED COMPANY VALUATION MULTIPLES



QUARTERLY PRIVATE EQUITY DEALS BY SIZE



INDUSTRIAL SERVICES QUARTERLY M&A DEAL VOLUME



Sources: Capital IQ and CHILDS proprietary database

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INDUSTRIAL SERVICES PUBLIC TRADING STATISTICS

DISTRIBUTION

Company Name	Market Data			Operating Statistics			EV as a Multiple of:				Growth	
	Stock Price 11/10/17	% of 52 Week High	Market Cap.	Enterprise Value	CY2017			CY2017		CY2018		5-Year EPS CAGR Growth
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA	
Fastenal Company	\$47.59	90.2%	\$13,676.9	\$13,983.5	4,380.3	1,005.0	22.9%	3.19x	13.9x	2.93x	12.8x	16.0%
W.W. Grainger, Inc.	203.48	77.5%	11,594.9	13,767.1	10,360.2	1,362.5	13.2%	1.33x	10.1x	1.27x	9.9x	10.6%
Brenntag AG	52.19	92.7%	8,063.4	9,647.3	11,548.8	831.5	7.2%	0.84x	11.6x	0.81x	11.0x	6.3%
HD Supply Holdings, Inc.	35.67	79.7%	6,657.7	10,642.7	7,435.3	920.8	12.4%	2.09x	14.9x	2.00x	13.8x	15.0%
Watsco, Inc.	165.05	98.3%	5,427.5	5,926.0	4,344.1	378.9	8.7%	1.36x	15.6x	1.29x	14.1x	12.0%
MSC Industrial Direct Co., Inc.	80.40	76.1%	4,533.9	5,050.8	2,880.3	437.6	15.2%	1.70x	11.1x	1.56x	10.0x	11.0%
Univar Inc.	30.97	93.4%	4,362.0	7,042.3	8,128.0	599.5	7.4%	0.87x	11.7x	0.83x	10.6x	13.0%
Beacon Roofing Supply, Inc.	54.87	97.4%	3,713.7	4,894.1	4,350.3	363.8	8.4%	1.11x	13.1x	1.05x	11.9x	15.0%
WESCO International, Inc.	62.30	81.8%	2,928.2	4,266.3	7,603.2	384.5	5.1%	0.56x	11.1x	0.53x	10.1x	11.7%
Applied Industrial Technologies, Inc	61.60	87.9%	2,391.0	2,604.0	2,592.5	215.6	8.3%	0.97x	11.3x	0.93x	10.6x	10.6%
Anixter International Inc.	63.30	71.4%	2,106.1	3,299.3	7,891.6	403.2	5.1%	0.42x	8.2x	0.40x	7.6x	10.0%
Builders FirstSource, Inc.	18.46	98.1%	2,084.9	3,926.8	6,945.9	411.4	5.9%	0.57x	9.5x	0.53x	7.9x	15.7%
MRC Global Inc.	15.77	70.0%	1,490.8	2,252.8	3,651.7	180.0	4.9%	0.62x	12.5x	0.55x	9.2x	N/A
Boise Cascade Company	35.70	91.9%	1,376.6	1,642.4	4,375.5	220.8	5.0%	0.38x	7.4x	0.35x	6.9x	18.3%
Nexeo Solutions, Inc.	7.72	77.7%	689.6	1,561.4	3,607.0	179.3	5.0%	0.43x	8.7x	0.41x	7.6x	21.1%
DXP Enterprises, Inc.	26.61	63.4%	462.8	686.1	989.3	60.2	6.1%	0.69x	11.4x	0.64x	9.2x	20.0%
Mean		84.2%					8.8%	1.07x	11.4x	1.01x	10.2x	13.7%
Median		84.9%					7.3%	0.85x	11.3x	0.82x	10.1x	13.0%

FACILITY

Company Name	Market Data			Operating Statistics			EV as a Multiple of:				Growth	
	Stock Price 11/10/17	% of 52 Week High	Market Cap.	Enterprise Value	CY2017			CY2017		CY2018		5-Year EPS CAGR Growth
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA	
Ecolab Inc.	\$130.30	96.6%	\$37,645.5	\$45,070.8	13,754.0	2,949.6	21.4%	3.28x	15.3x	3.15x	14.2x	12.9%
CBRE Group, Inc.	41.53	99.8%	13,833.3	16,901.9	13,979.5	1,699.4	12.2%	1.21x	9.9x	1.13x	9.5x	13.0%
Iron Mountain Incorporated	40.66	98.8%	10,853.7	17,464.8	3,795.6	1,260.5	33.2%	4.60x	13.9x	4.45x	13.1x	N/A
Aramark	42.68	96.7%	10,461.1	15,844.1	14,663.2	1,410.6	9.6%	1.07x	10.9x	1.03x	10.0x	11.5%
Rollins, Inc.	44.99	93.2%	9,806.7	9,693.3	1,672.9	348.8	20.8%	5.79x	27.8x	5.43x	24.7x	12.0%
ServiceMaster Global Holdings, Inc.	46.91	96.8%	6,334.2	8,665.2	2,912.5	675.0	23.2%	2.98x	12.8x	2.84x	12.2x	8.0%
Jones Lang LaSalle Incorporated	145.76	99.2%	6,612.6	7,880.2	7,626.7	708.5	9.3%	1.03x	11.1x	0.98x	10.4x	13.5%
The Scotts Miracle-Gro Company	98.63	96.2%	5,761.1	7,041.7	2,633.9	535.4	20.3%	2.43x	12.5x	2.52x	13.0x	11.7%
The Brink's Company	78.40	89.8%	3,957.9	4,488.0	3,264.5	425.8	13.0%	1.37x	10.5x	1.27x	8.9x	16.5%
Healthcare Services Group, Inc.	51.37	92.3%	3,764.0	3,707.6	1,861.1	139.2	7.5%	1.99x	26.6x	1.78x	21.9x	12.3%
GEO Group, Inc.	26.58	77.4%	3,249.6	5,961.3	2,254.1	413.5	18.3%	2.64x	14.4x	2.59x	13.3x	6.0%
ABM Industries Incorporated	40.26	89.2%	2,622.4	2,839.4	5,448.5	240.9	4.4%	0.49x	10.5x	0.43x	7.7x	13.0%
Comfort Systems USA, Inc.	41.15	92.1%	1,521.1	1,573.3	1,772.7	142.4	8.0%	0.89x	11.0x	0.82x	9.7x	20.0%
Tennant Company	63.45	82.6%	1,132.7	1,467.5	985.9	100.2	10.2%	1.49x	14.6x	1.39x	12.0x	11.0%
SP Plus Corporation	37.05	89.8%	822.6	973.0	909.8	93.6	10.3%	1.07x	10.4x	1.05x	9.8x	12.7%
Mean		92.7%					14.8%	2.16x	14.2x	2.06x	12.7x	12.4%
Median		93.2%					12.2%	1.49x	12.5x	1.39x	12.0x	12.5%

CHILDS Advisory Partners

INDUSTRIAL SERVICES PUBLIC TRADING STATISTICS

ENVIRONMENTAL

Company Name	Market Data			Enterprise Value	Operating Statistics			EV as a Multiple of:				Growth 5-Year EPS CAGR Growth
	Stock Price 11/10/17	% of 52 Week High	Market Cap.		CY2017			CY2017		CY2018		
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA	
Waste Management, Inc.	\$81.32	98.1%	\$35,310.5	\$44,642.5	14,387.1	3,996.0	27.8%	3.10x	11.2x	3.00x	10.7x	9.7%
Republic Services, Inc.	63.45	94.4%	21,206.5	29,002.5	9,961.1	2,772.4	27.8%	2.91x	10.5x	2.78x	9.9x	8.7%
Waste Connections, Inc.	69.29	93.4%	18,267.7	21,740.8	4,600.7	1,452.4	31.6%	4.73x	15.0x	4.48x	13.9x	9.9%
Stericycle, Inc.	64.02	72.8%	5,465.6	8,203.2	3,576.8	829.0	23.2%	2.29x	9.9x	2.25x	9.6x	10.2%
Clean Harbors, Inc.	53.60	87.0%	3,051.6	4,319.9	2,917.7	425.3	14.6%	1.48x	10.2x	1.41x	8.9x	13.0%
US Ecology, Inc.	46.40	83.2%	1,012.8	1,282.8	502.3	114.2	22.7%	2.55x	11.2x	2.41x	10.0x	8.9%
Casella Waste Systems, Inc.	19.38	92.7%	814.9	1,297.4	590.7	128.3	21.7%	2.20x	10.1x	2.15x	9.6x	N/A
Heritage-Crystal Clean, Inc	19.25	86.7%	440.4	436.2	364.0	45.3	12.4%	1.20x	9.6x	1.12x	8.4x	17.5%
Newalta Corporation	0.76	28.9%	67.0	412.2	249.0	44.9	18.0%	1.66x	9.2x	1.53x	7.5x	N/A
Mean		81.9%					22.2%	2.46x	10.8x	2.35x	9.8x	11.1%
Median		87.0%					22.7%	2.29x	10.2x	2.25x	9.6x	9.9%

INFRASTRUCTURE

Company Name	Market Data			Enterprise Value	Operating Statistics			EV as a Multiple of:				Growth 5-Year EPS CAGR Growth
	Stock Price 11/10/17	% of 52 Week High	Market Cap.		CY2017			CY2017		CY2018		
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA	
SNC-Lavalin Group Inc.	\$57.03	95.6%	\$10,006.6	\$12,206.8	\$9,250.1	\$807.0	8.7%	1.32x	15.1x	1.06x	10.4x	N/A
Jacobs Engineering Group Inc.	60.03	94.7%	7,222.5	6,808.5	9,964.7	658.3	6.6%	0.68x	10.1x	0.63x	9.0x	12.8%
Fluor Corporation	47.04	80.6%	6,579.7	6,342.9	19,351.2	635.6	3.3%	0.33x	10.0x	0.33x	7.5x	9.5%
AECOM	35.59	87.4%	5,577.3	8,883.6	17,978.5	919.2	5.1%	0.49x	9.7x	0.47x	8.2x	8.5%
Quanta Services, Inc.	35.84	92.3%	5,562.6	6,236.8	9,327.5	680.7	7.3%	0.67x	9.2x	0.62x	7.6x	8.0%
Stantec Inc.	36.21	97.5%	4,126.0	4,727.4	3,488.9	402.8	11.5%	1.36x	11.7x	1.26x	10.2x	N/A
MasTec, Inc.	42.90	86.7%	3,550.4	4,793.1	6,298.4	630.3	10.0%	0.76x	7.6x	0.72x	7.1x	14.0%
Dycom Industries, Inc.	91.02	82.3%	2,831.5	3,552.8	3,086.6	443.1	14.4%	1.20x	8.8x	1.10x	7.1x	12.3%
Tetra Tech, Inc.	48.50	96.7%	2,709.8	2,876.9	2,017.8	229.8	11.4%	1.40x	12.0x	1.36x	11.5x	11.5%
Granite Construction Incorporated	63.47	94.4%	2,529.3	2,331.6	2,924.7	164.3	5.6%	0.80x	14.2x	0.71x	9.1x	18.5%
McDermott International, Inc.	7.64	91.7%	2,169.8	2,325.0	3,002.1	399.3	13.3%	0.77x	5.8x	0.78x	7.0x	N/A
Primoris Services Corporation	26.09	87.0%	1,342.3	1,439.3	2,361.1	172.6	7.3%	0.61x	8.3x	0.57x	7.5x	15.5%
Aegion Corporation	26.89	97.9%	874.6	1,152.7	1,341.2	117.1	8.7%	0.86x	9.8x	0.87x	9.3x	9.9%
MYR Group Inc.	33.59	76.7%	553.0	634.9	1,402.6	66.2	4.7%	0.45x	9.6x	0.43x	7.2x	8.0%
Mean		90.1%					8.4%	0.84x	10.1x	0.78x	8.5x	11.7%
Median		92.0%					8.0%	0.77x	9.8x	0.71x	7.9x	11.5%



**CHILDS
Connect**

May 10, 2018

Connecting Decision Makers
for Middle Market Growth

SAVE THE DATE

CHILDS Advisory Partners

FIRM OVERVIEW

QUICK FACTS

- 44 professionals across four offices in the U.S. with headquarters in Atlanta
- Over 450 Middle Market Transactions Completed
- Market-leading close rate
- Expecting to close 20+ transactions in 2017

CORE COVERAGE

BUSINESS SERVICES	HEALTHCARE	TECHNOLOGY
Industrial Services	Services	Professional Svcs
Human Capital	Technology	Software

ACCOLADES



- 2016 U.S. Boutique Investment Bank of the Year Winner
- 2014 Cross-Border Transaction of the Year Finalist
- 2014 Professional Services Transaction of the Year Finalist
- 2013 Strategic Acquisition of the Year Winner

SERVICES

MERGERS & ACQUISITIONS

CAPITAL RAISES

FINANCIAL ADVISORY

INDUSTRIAL SERVICES TEAM



Jason Wallace
Managing Director

- Former Managing Director for Blackstone Advisory Partners, the M&A advisory arm of Blackstone
- 20 years of investment banking experience, executing \$40B+ of M&A transactions
- MBA, Harvard Business School



David Morse
Director

- Former Director in Industrials at SunTrust Robinson Humphrey and Vice President in Industrials at Evercore Partners
- 12 years of investment banking experience, executing \$20B+ of M&A transactions
- MBA, Kellogg School of Management



Steve Dyott
Vice President

- Prior corporate finance and restructuring experience with FTI Consulting
- Over 9 years of investment banking experience
- BS in Economics from Vanderbilt University, summa cum laude



Ryan Sugrue
Vice President

- Prior M&A experience with Piper Jaffray
- JD from University of Georgia School of Law and MBA from Terry College of Business at the University of Georgia



Robert Womble
Associate

- Prior M&A experience with FMI Capital Advisors
- Over 5 years of investment banking experience
- BS in Business Administration from Washington & Lee University



Kenny Osakwe
Associate

- Prior investment banking and capital markets experience with Wells Fargo Securities and Goldman Sachs
- BA from Duke University



Josh Chin, CPA
Associate

- Prior M&A experience with Prairie Capital Advisors
- Graduated from Richard Ivey School of Business with Honors in Business Administration



Alex Aldworth
Associate

- Prior M&A experience performing buy-side financial due diligence as a Manager at PwC
- MBA from Emory University; BBA and MAcc from the University of Georgia



Christian Given
Associate

- Prior business development experience at Axial, Inc.
- B.A. from Washington and Lee University
- Passed CFA Level 1