



BAIRD

INDUSTRIAL EQUIPMENT SECTOR UPDATE

November 2022

Baird's Industrial Equipment Update

Performance of industrial equipment manufacturers has been mixed in 2022 given increasingly dynamic market conditions

Industrial Equipment Update

■ Macroeconomic Environment

- Overall economic growth expected to slow in the near-term as a result of continued rate hikes, persistent inflation and a slowing housing market
- The Fed has committed to raise rates to slowly bring inflation back to its 2% target, an effort to a prevent a more entrenched cycle of inflation
- Operational challenges faced by equipment manufacturers during 2020-2021 (e.g., supply chain, price vs. cost imbalance) continue to stabilize, but have not fully recovered

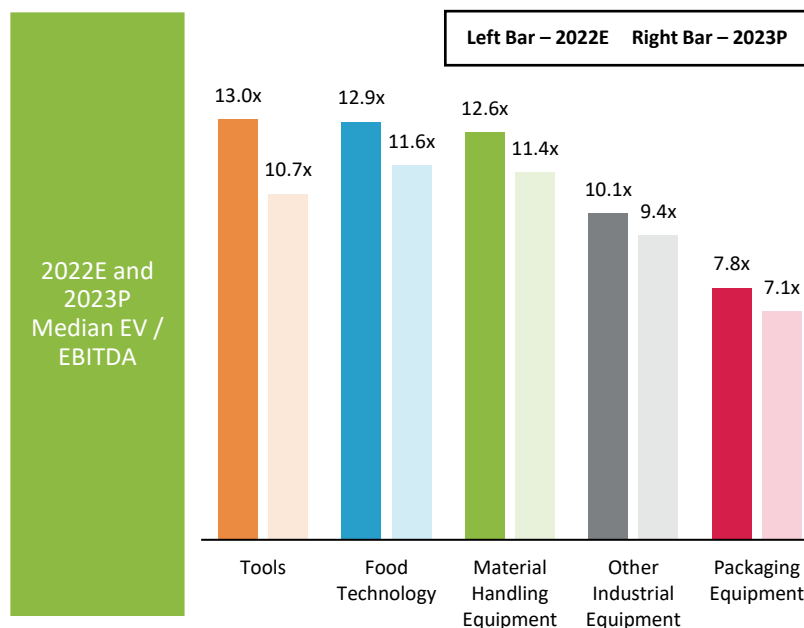
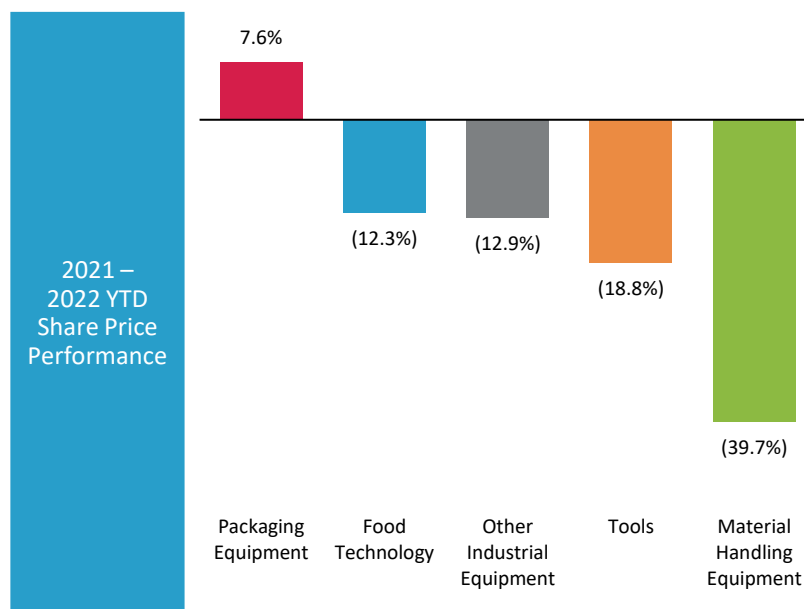
■ Public Market Backdrop

- Stocks continue to feel the weight of tightening fed policy, shrinking market liquidity and slower economic growth
- Investors increasingly favoring industrial equipment stocks with demonstrated pricing power and demand inelasticity; “flight to quality” is the main theme in relative positioning
- Investors continue to be cautious in their forward outlook going into 2023

■ M&A Environment

- Following new record for U.S. M&A deal value in 2021, transactions have declined in YTD 2022
- Buyer demand remains strong for top-tier assets with secular growth stories, whereas interest is now at lower levels for businesses impacted by macroeconomic challenges and uncertainty
- Corporate buyers remain focused on using this period to aggressively pursue strategic and synergistic M&A
- Volatility in leverage markets has pressured recent deal activity; private credit markets are more open than public markets, but direct lenders are cautious and selective in reviewing opportunities

Sector Trading Update



Selected Equity Research Commentary

Baird's top-ranked research department provides active equity research on various Industrial Equipment companies; below excerpts are from recent research*



“Underlying demand remains healthy, and backlog is robust...Regionally, North America remains broadly strong and is leading growth while EU remains “surprisingly resilient.” Notably, management said that backlog was higher sequentially with limited visibility into normalization as component shortages remain a challenge. Management acknowledge the notable headline risk, particularly related to the US housing market, but the company has yet to feel its impacts.”

- Research note on 10/31/22



“Slowing global economic indicators have not materially manifested in current orders but FTV acknowledged orders rates will likely slow, even though 3Q22's results showed continued demand for both HW/SW solutions. Citing business model durability/buffers is FTV's "excess" hardware backlog ~2x pre-Covid levels (>\$300M), lean channel inventories, ~70% recurring healthcare hardware sales, and its portfolio of productivity-enhancing enterprise SaaS businesses; total revenues >40% recurring.”

- Research note on 10/27/22



“Underlying demand remains strong across products and regions. Backlog remains robust with deliveries continuing to book out into F2Q23/F3Q23 providing relative visibility into F2023, but normalization of IPS trends remains on the come with timing and magnitude uncertain. Balance sheet optionality remains high and an important upside lever to estimates (CYBE modestly accretive on F2023, incremental deals). From here, investors will look to F2023 guidance and CYBE close.”

- Research note on 8/23/22



“Despite the incremental production cuts and lower 2023E EPS, we think external macro factors still pose risk to our updated estimates, namely a more meaningful slowdown in POS trends and/or pro demand. This still-present earnings risk is the primary driver of our downgrade, as it would delay the realization of any turnaround benefits while also posing longer-term multiple risk, in our view.”

- Research note on 10/28/22



“Execution remains solid in an operating environment that has remained challenging. Management is incrementally more cautious on Europe as the Ukraine invasion raises concerns around regional energy inflation/availability and its potential impact on industrial activity. Broadly speaking, management continues to believe that key end markets remain in the early innings of a positive uptrend, driven by growing commodity demand (positive for Energy and Heavy Industries) and incremental infrastructure stimulus”

- Research note on 7/28/22

* Baird ranked No.1 in “important small-/mid-cap research advisory firm” and “overall quality in sales, corporate access and research” in the 2020 Greenwich Associates Survey. Baird has ranked top two for “Greatest knowledge of companies and industries” over the past 17 years (2004-2020) in this annual survey of U.S. small-cap and mid-cap fund managers. Greenwich Associates' 2020 surveys of North American Equity Investors – Surveys conducted with 91 small-cap and mid-cap fund managers and 228 U.S. buy-side trading desks that use electronic trading, respectively. Rankings for qualitative metrics based on leading research firms in surveys.

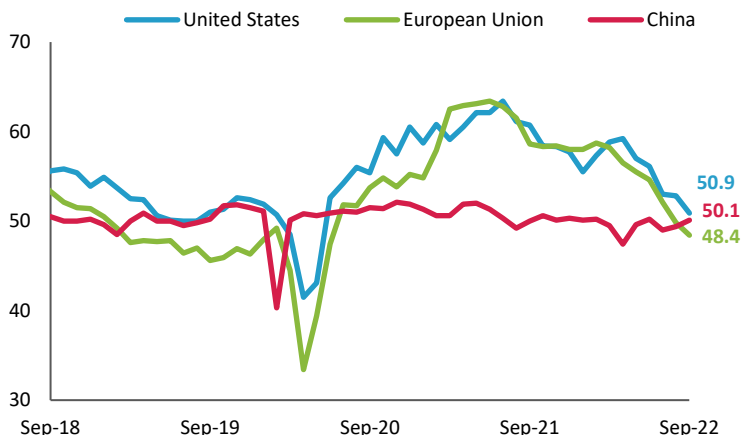
Note: The above excerpts from Baird Equity Research reports were from the current quarterly earnings reports as of the preparation of this report, but may not be the most current reports available.

Industrial Equipment Market Backdrop

Recent data shows a decelerating production environment in 2022 following surging levels of economic activity in 2021

Manufacturing Purchasing Manager's Index

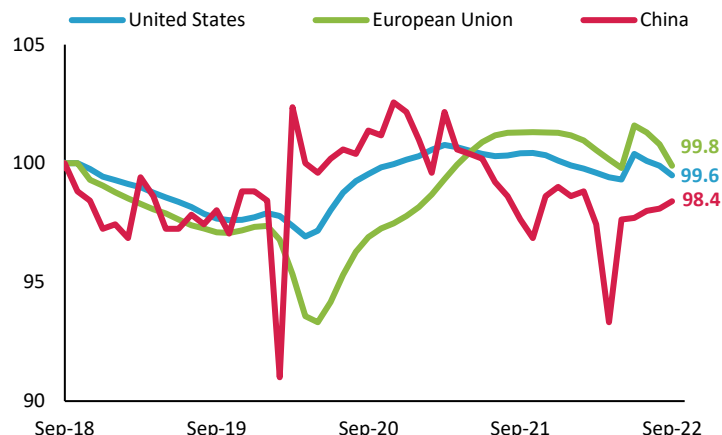
(50 equals no change)



Sentiment in the U.S and Europe has regressed from mid-2021 highs, while China has remained flat through 2021 and into 2022

Business Manager Confidence

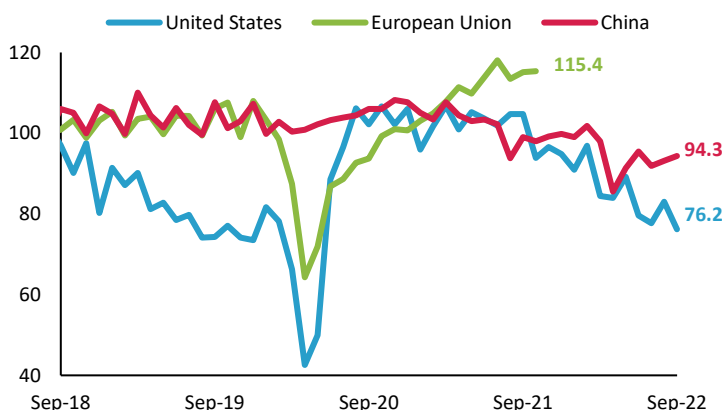
(Index equals 100)



Business manager sentiment in Europe and the U.S. has declined modestly in 2022, while confidence levels in China have varied significantly YTD

Manufacturing New Orders (1)

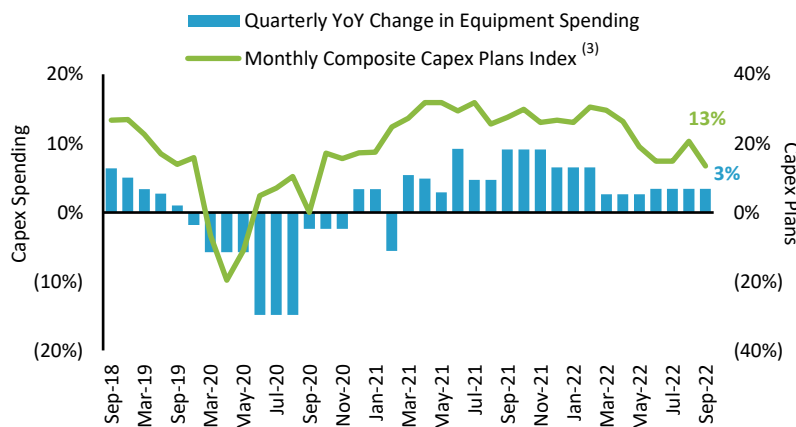
(Index equals 100)



General decline of manufacturing orders in the U.S. and China continuing into H2 2022

U.S. Capex Plans Vs. Actual Capex Spend (2)

(Capex plans shown as % of index value and capex spend shown as YoY %)



Strong business investment from industrial equipment manufacturers has continued in 2022, although capex levels have shown signs of slowing in recent months

Source: S&P Capital IQ, Federal Reserve, Institute for Supply Management, OECD Business Confidence Index, Y Charts, Eurostat, Strategas and Baird Investment Banking as of 10/24/2022.

(1) Data indexed to 100 for comparison purposes. Latest EU data as of 10/31/2021.

(2) Corresponding data not available for China and Europe.

(3) Survey from business managers across the U.S. on their plans for capex spending indexed for comparison purposes.

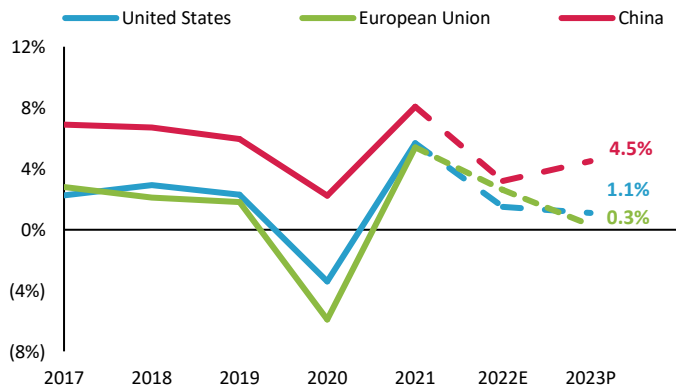
Industrial Equipment Market Backdrop (Cont.)

Recent data sheds light on the current production environment in key global markets

Selected Key Indicators

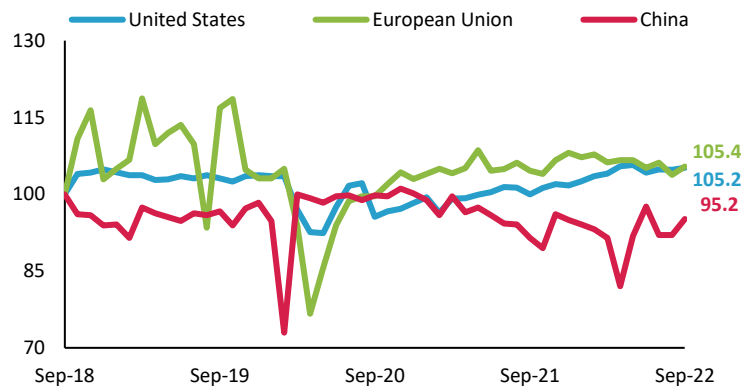
GDP Growth

(% growth)



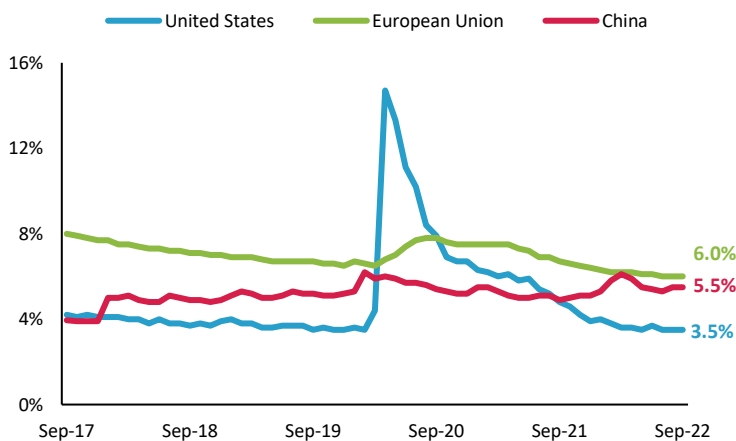
Industrial Production Index ⁽¹⁾

(Output indexed to 100)



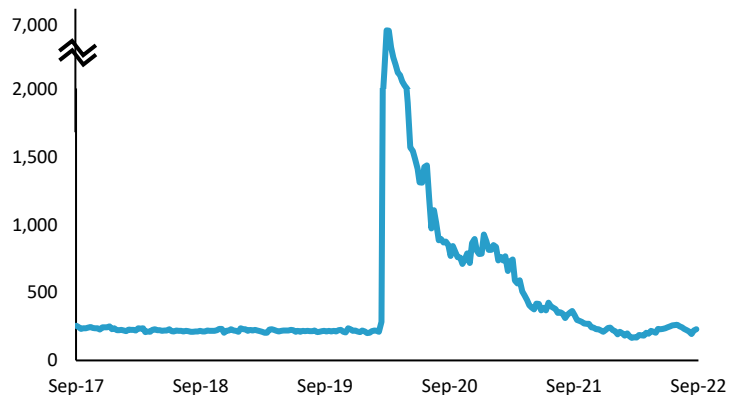
Unemployment Rate

(Unemployment rate in %)



U.S. Jobless Claims ⁽²⁾

(Weekly initial claims in thousands)



In The News

Recent Headlines & Notable Events

- **11/3:** Jobless Claims Remain Low in Tight U.S. Labor Market ([LINK](#))
- **11/2:** Fed Hikes by 0.75 Point, Signals Slower Increases but Ultimately Higher Rates ([LINK](#))
- **10/30:** Consumer Spending Rose in September ([LINK](#))
- **10/27:** GDP Report Shows U.S. Economy Grew 2.6% in Third Quarter ([LINK](#))

Upcoming Trade Shows

- **Integrated Automation, Motion & Drives 2022**
Chicago, IL (11/12/2022 – 11/17/2022)
- **AHR Expo 2023**
Atlanta, GA (2/6/2023 – 2/8/2023)
- **CONEXPO-CON/AGG 2023**
Las Vegas, NV (3/14/2023 – 3/18/2023)
- **ProMat 2023**
Chicago, IL (3/20/2023 – 3/23/2023)

Source: Baird Research, Federal Reserve, Bureau of Labor Statistics, Markit Economics, PWC, International Monetary Fund, Trading Economics, and Y charts.

(1) Indexed to 100 for comparison purposes.

(2) Jobless claims represent weekly initial filings of U.S. unemployment claims; unemployment rate represents monthly U.S. nonfarm unemployment; similar metric not available for Europe and China.

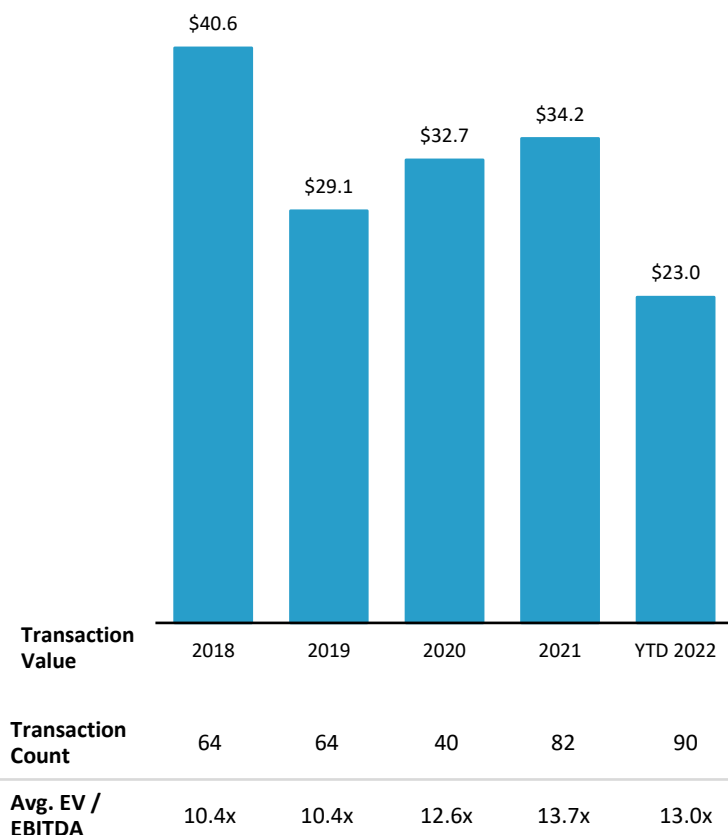
M&A and Financing Market Update

Following robust activity levels in 2021, M&A and financing markets have slowed in 2022 amid growing macroeconomic uncertainty

M&A Market Update

Industrial Equipment M&A Activity

(\$ in billions)

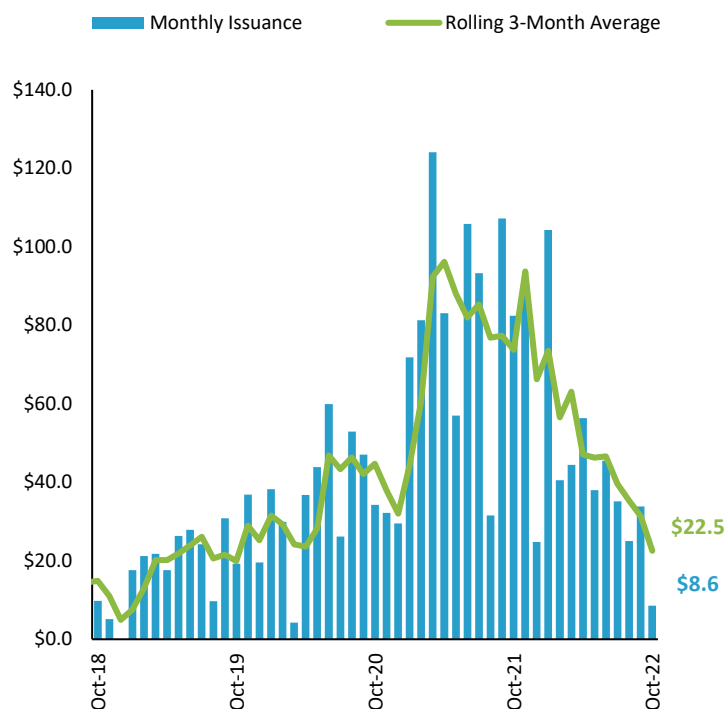


- Recession risks in the U.S. and Europe have risen, weighing on M&A activity
- Under normalized conditions, financial sponsors are well-positioned to transact due to ~\$2 trillion of uninvested capital on a global basis
- Some strategics seeing current environment as opportunistic given the current lending markets may pose challenges for some financial sponsors
- Overall asset quality and resilience is in focus, with top-tier businesses trading at premium valuations as a result of a strong flight to quality

Financing Market Update

Global High-Yield Loan Volume

(monthly; \$ in billions)



- Lending market conditions are mixed due to geopolitical / macroeconomic concerns
- Conditions in the public lending markets have weakened, whereas substantial liquidity is available from direct lenders
- Direct lenders remain an attractive source of financing given heightened execution risk for syndicated offerings amid market dislocation
- Overall uncertainty in leverage market is contributing to growing pressure on M&A valuations

Source: S&P Capital IQ, S&P LCD and Dealogic. Includes Europe and U.S. M&A with transaction value disclosed above \$20 million and EV / EBITDA multiple below 20.0x per Dealogic.

Selected Recent Industrial Equipment M&A Activity

Top tier Industrial Equipment assets are commanding premium valuations from a strong “flight to quality” in the broader M&A market

Date Announced	Target	Acquirer	Target Description	Enterprise Value	EV /	
					Sales	EBITDA
10/21/2022	Isoli S.P.A	Klubb Group	Manufactures and assembles boom platforms for tow trucks, aerial platforms with boom lift	N/A	N/A	N/A
10/6/2022	SPX FLOW (Air Treatment Business)	Ingersoll Rand Inc.	Manufactures desiccant and refrigerated dryers, filtration systems and purifiers for dehydration	\$525	2.9x	N/A
9/12/2022	Filtec	Undisclosed Party	Manufactures food, beverage and pharmaceutical inspection machines	N/A	N/A	N/A
8/8/2022	Sphinx Tools	Sandvik Coromant	Manufactures and distributes precision tools for metalworking, medical and manufacturing industries	N/A	N/A	N/A
8/8/2022	InSinkErator (Emerson waste-disposal affiliate)	Whirlpool Corporation	Manufactures food waste disposers and instant hot water dispensers for home and commercial use	3,000	5.0	18.1x
8/2/2022	Tractel Group	AEA Investors	Provides fall protection safety products, and lifting / handling equipment	507	0.9	N/A
8/2/2022	Burke Porter Group	AEA Investors	Manufactures automated diagnostic, testing and production solutions	1,000	N/A	N/A
7/27/2022	Bevcorp	John Bean Technologies Corporation	Manufactures beverage processing and packaging equipment	290	N/A	15.5
7/27/2022	Ripley Tools	Hubbell Incorporated	Manufactures cable preparation tools and accessories for power utilities and telecom	N/A	N/A	N/A
7/19/2022	LINXIS Group	Hillenbrand Inc	Designs, manufactures and supplies food preparation equipments	584	N/A	12.4
7/13/2022	Ligchine International Corporation	RAF Industries	Designer, manufacturer and marketer of laser-guided boom operated concrete screeds	N/A	N/A	N/A
7/1/2022	Alco-Food-Machines GmbH & Co	John Bean Technologies Corporation	Manufactures food processing solutions and production lines	N/A	N/A	N/A
6/30/2022	Icetro Company	Middleby Corporation	Manufactures ice cube machines, ice cream machines, slush machines and freezer chests	N/A	N/A	N/A
6/27/2022	Remke Industries	NSI Industries	Manufactures and sells wire management products and industrial interconnects and cordsets	N/A	N/A	N/A
6/27/2022	SNC Solutions	Storage Solutions	Manufactures storage solutions for warehouse operations	N/A	N/A	N/A
6/22/2022	Double E	Industrial Growth Partners	Manufactures web converting and web handling components and equipment	N/A	N/A	N/A
6/2/2022	Level5 Tools	Worthington Industries	Manufactures drywall tools including taping and finishing tools, skimming blades & hand tools	80	2.4	12.9
6/2/2022	Ergotron	The Sterling Group	Manufactures ergonomic mounting and mobility products for monitors & displays	650	N/A	N/A
5/23/2022	Frontmtec	Bettcher Industries	Manufacturer of food processing machinery	N/A	N/A	N/A
5/16/2022	KITO Corporation	Lifting Holdings	Manufactures, constructs, sells, repairs, and maintains material handling equipment	571	1.0	7.4
5/9/2022	Schenck Process Mining Business	Sandvik	Manufactures high-capacity screens, feeders and mining processing aftermarket products	N/A	N/A	N/A
4/27/2022	Wenger	Marel	Manufactures processing solutions focused on pet food, plant-based proteins, and aqua feed	540	2.8	16.9
4/26/2022	Dynapower Company	Sensata Technologies	Provider of energy storage and power conversion systems	580	5.8	29.0
4/17/2022	Fortna	Material Handling Systems	Manufactures material handling sortation & distribution systems	N/A	N/A	N/A
3/2/2022	Manitowoc Ice	Pentair	Manufactures ice producing machines and components	1,600	5.2	17.4
2/8/2022	Siemens Logistics (Mail & Parcel Unit)	Koerber	Manufacturing, sales and installation of mail and parcel automation	N/A	N/A	N/A
1/31/2022	Tidel	Sesami	Manufacturer of cash security machines	N/A	N/A	N/A
1/26/2022	Eckhart	Arsenal Capital Partners	Manufactures ergonomic tools and solutions for automotive and industrial aftermarket	N/A	N/A	N/A
12/12/2021	SPX Flow	Lone Star Funds	Manufactures engineered flow components, process equipment and turn-key systems	3,801	2.8	20.1
12/2/2021	Time Manufacturing Company	H.I.G Capital	Manufacturer of vehicle-mounted aerial lifts	N/A	N/A	N/A
11/15/2021	Cincinnati Fan and Ventilator	SPX Corporation	Manufactures and supplies industrial fans and blowers	N/A	N/A	N/A
11/9/2021	Davis-Standard	Gamut Capital Management	Manufactures plastics and rubber processing equipment	N/A	N/A	N/A
11/8/2021	SP Industries	ATS Automation Tooling	Manufactures of laboratory equipment and pharmaceutical manufacturing solutions	445	2.5	15.3
11/3/2021	Harvey Performance Company	Berkshire Partners	Manufactures specialized cutting tools for precision machining applications	N/A	N/A	N/A
11/3/2021	Bettcher Industries	KKR	Manufactures food processing equipment and associate aftermarket parts	N/A	N/A	N/A
11/3/2021	Engineered Fastener Company	Frontenac	Manufactures engineered fasteners and specialized component solutions	N/A	N/A	N/A
11/2/2021	Arrowhead Systems	Regal Rexnord Corp	Manufactures industrial process automation solutions and components	297	4.2	17.0
11/1/2021	ABB Mechanical Power Transmission Business	RBC Bearings	Manufactures highly engineered precision bearings	2,900	4.7	18.9
10/28/2021	Seaga Manufacturing	Dominus Capital	Manufactures inventory vending and dispensing solutions	N/A	N/A	N/A
10/26/2021	Engineered Machined Products	Concentric AB	Manufactures precision machining and thermal management components	147	N/A	N/A
10/14/2021	Control Devices	HBM Holdings Company	Manufactures specialty valves and other flow control products	N/A	N/A	N/A
10/13/2021	Vantage Elevator Solutions	Ontario Teachers' Pension Plan Board	Manufactures elevator components and systems	N/A	N/A	N/A
10/11/2021	Unified Brands	Electrolux Professional	Manufactures commercial kitchen equipment and controls	244	1.9	18.0
10/4/2021	Axiom Tool Group	JPW Industries	Manufactures CNC routers for industrial and consumer applications	N/A	N/A	N/A
9/27/2021	Zep Vehicle Care	National Carwash Solutions	Manufactures commercial car wash chemical and water reclamation solutions	N/A	N/A	N/A
9/13/2021	Farrar Scientific	Trane Technologies	Manufactures refrigeration solutions for biopharmaceutical applications	365	N/A	N/A
9/7/2021	Masterflex	Avantor	Manufactures peristaltic pumps and fluid transfer solutions	2,900	N/A	N/A
9/7/2021	Rivit	Fervi S.p.A.	Manufactures fastening systems, tools and machines for sheet metal assembly	21	N/A	N/A
9/7/2021	CoreHog	Harvey Performance Company	Manufactures composite and core cutting tools	N/A	N/A	N/A
9/1/2021	Airxcel RV Group	THOR Industries	Manufactures recreational vehicle equipment and components	750	1.1	7.6
9/1/2021	NCC Automated Systems	ATS Automation Tooling Systems	Manufactures automation systems and conveyance products	40	N/A	N/A
9/1/2021	Major Tool & Machine	Precinmac Precision Machining	Manufactures hardware for aerospace, power generation and industrial markets	N/A	N/A	N/A
8/31/2021	Ohio Tool Works	Hardinge Inc.	Manufactures industrial honing equipment and related components	N/A	N/A	N/A
8/30/2021	Sampierana	CNH Industrial	Manufactures and assembles undercarriages, machines and spar	120	N/A	N/A
8/26/2021	Registrar Corp	Paine Schwartz Partners	Provides supply chain solutions and services for food & beverage applications	N/A	N/A	N/A
8/18/2021	Myers Emergency Power Systems	Kohlberg & Company	Manufactures backup power solutions for emergency lighting systems	N/A	N/A	N/A
8/17/2021	MTD Holdings	Stanley Black & Decker	Manufactures outdoor power equipment and vehicles	1,600	0.8	8.0
8/16/2021	Schlahorst	Rieter Holding	Manufactures textile machinery equipment and components	355	N/A	N/A
8/11/2021	The ExOne Company	Desktop Metal	Manufactures 3D printing machines and complimentary parts	610	N/A	N/A
8/10/2021	Monster Tool Company	GWS Tool Group	Manufactures carbide cutting tools	N/A	N/A	N/A
8/7/2021	Schaltbau Holding	The Carlyle Group	Manufactures components and systems for transportation technology	610	1.3	16.5
8/2/2021	Meggitt PLC	Parker-Hannifin	Manufactures components and sub-systems	10,105	4.2	20.6
7/30/2021	Hydra-Flex	Sonny's Enterprises	Manufactures of fluid handling products	N/A	N/A	N/A
7/20/2021	Hannibal Industries	Nucor	Manufactures carbon steel tubing and pallet racking systems	370	N/A	6.9
7/20/2021	Barletta Pontoon Boats	Winnebago Industries	Manufactures outdoor lifestyle products for the marine sector	320	1.5	12.1
7/19/2021	ATI Industrial Automation	Novanta Corporation	Manufactures robotic components and assemblies	172	N/A	N/A
7/14/2021	Oregon Tool	Platinum Equity, LLC	Manufactures replacement parts and accessories for outdoor applications	N/A	N/A	N/A
7/12/2021	DWFritz Automation	Sandvik	Manufactures automation and inspection solutions for advanced manufacturing	N/A	N/A	N/A
7/7/2021	MDS International	Terex Corporation	Manufactures heavy duty quarry and recycling screen equipment	20	N/A	N/A
7/1/2021	Atotech Limited	MKS Instruments	Provides instruments, systems and process control solutions	6,500	4.6	16.8
6/21/2021	SEEPEX	Ingersoll Rand Inc.	Manufactures progressive cavity pumps and abrasive media solutions	515	N/A	N/A
6/1/2021	Barber-Nichols	Graham Corporation	Manufactures turbo machinery and related components	85	N/A	N/A
6/1/2021	White Drive Motors & Steering	Interpump Group S.p.A.	Manufactures propel systems, motors, pumps and transportation components	340	N/A	N/A
5/28/2021	Welbilt	Ali Group	Manufactures foodservice equipment including ovens, grills and refrigerators	3,500	3.6	18.9
5/25/2021	Indexable Cutting Tools	GWS Tool Group	Manufactures cutting tools to auto parts manufacturers and power plants	N/A	N/A	N/A

Average	3.0x	14.8x
Median	2.8	15.4

Note: Dollars in millions.

Source: Capital IQ, company disclosure, Wall Street research and industry press.

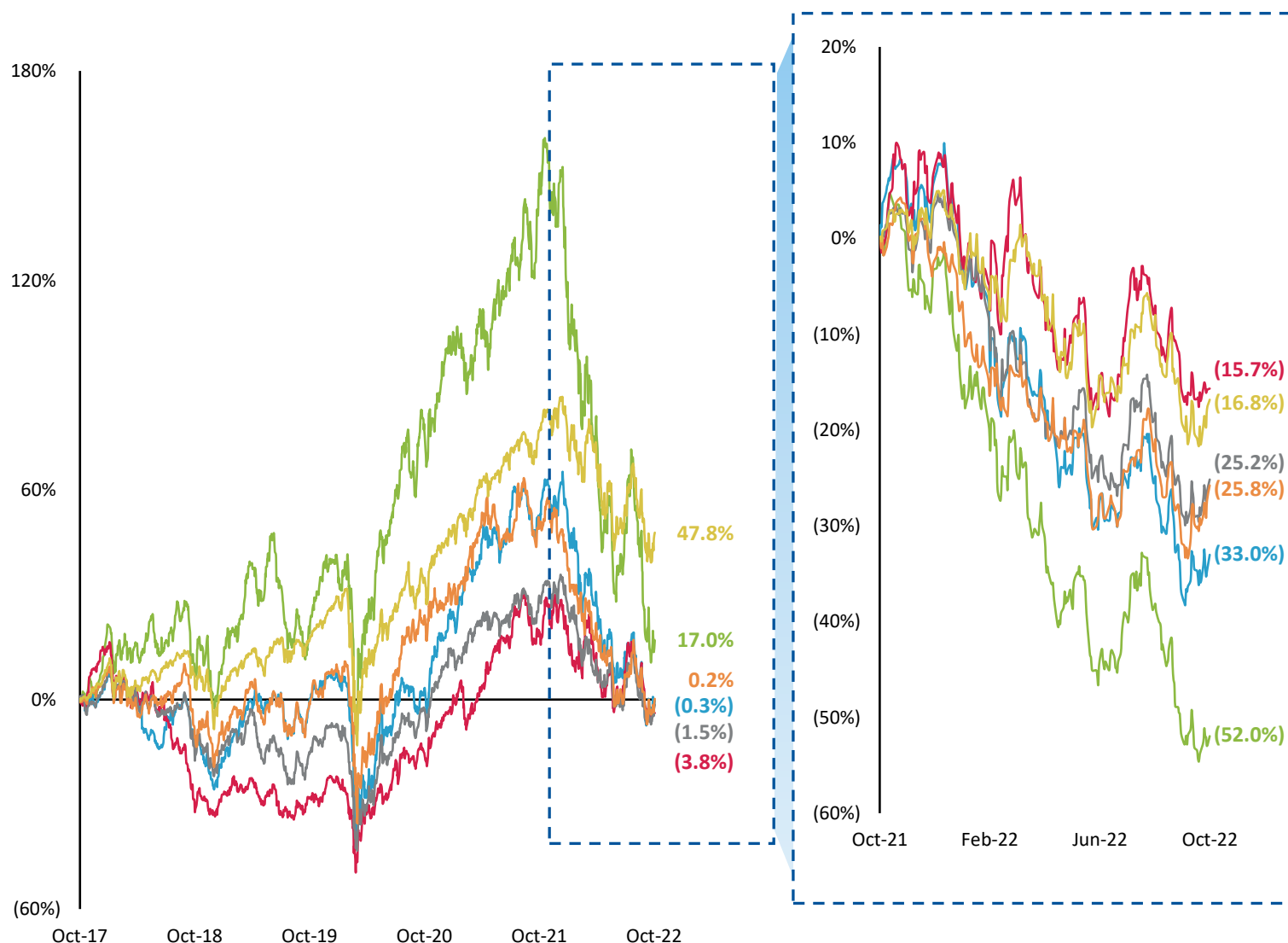
PERFORMANCE AND VALUATION UPDATE

Industrial Equipment Share Price Evolution

Industrial Equipment stocks have recovered from 2020 lows, but have experienced recent volatility consistent with the broader market

Share Price Performance

Food Technology		Material Handling		Packaging Equipment		Other Industrial Equipment		Tools		S&P 500	
YTD	(38.0%)	YTD	(50.3%)	YTD	(22.4%)	YTD	(27.4%)	YTD	(26.1%)	YTD	(20.3%)
1-Year	(33.0%)	1-Year	(52.0%)	1-Year	(15.7%)	1-Year	(25.2%)	1-Year	(25.8%)	1-Year	(16.8%)
5-Year	(0.3%)	5-Year	17.0%	5-Year	(3.8%)	5-Year	(1.5%)	5-Year	0.2%	5-Year	47.8%



Source: S&P Capital IQ as of 10/24/2022.

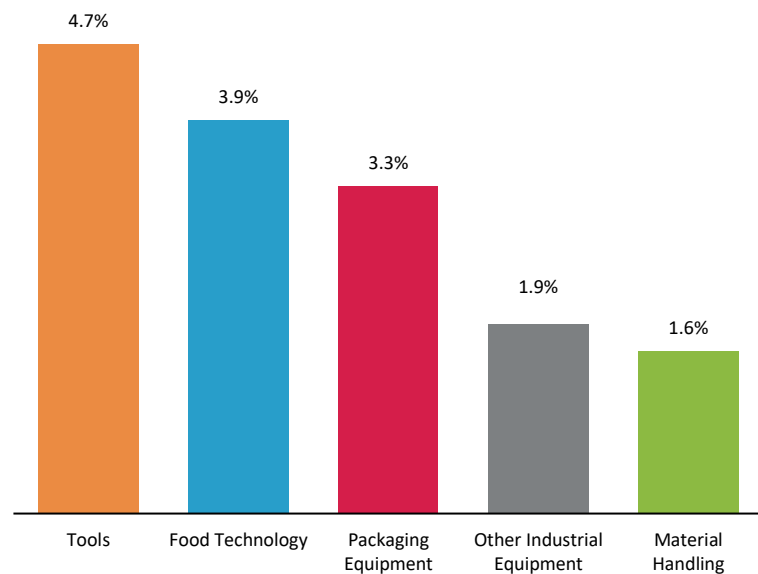
Note: Indices calculated as an unweighted average. See page 9 for index constituents. Shading in table corresponds to categories in the charts below.

Sector Financial Metrics Snapshot

Summary of key financial metrics across the Industrial Equipment sector

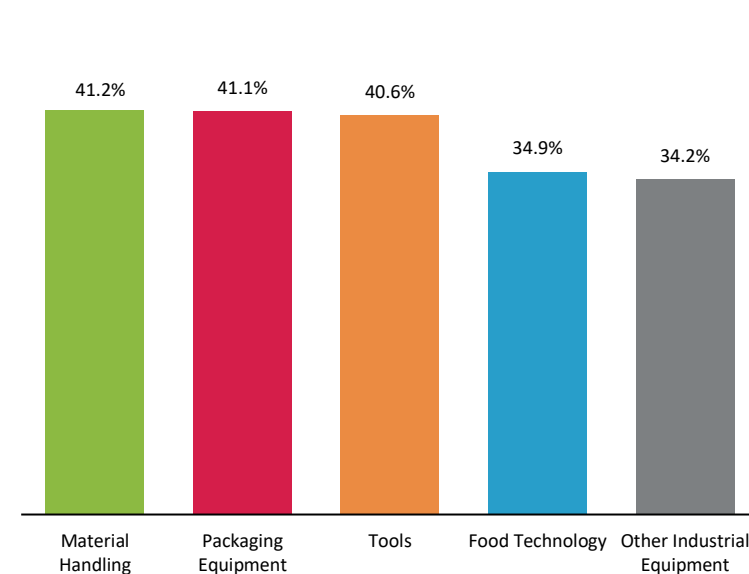
3-Year Revenue CAGR

(Median CY2019A - CY2022E revenue CAGR for peer groups)



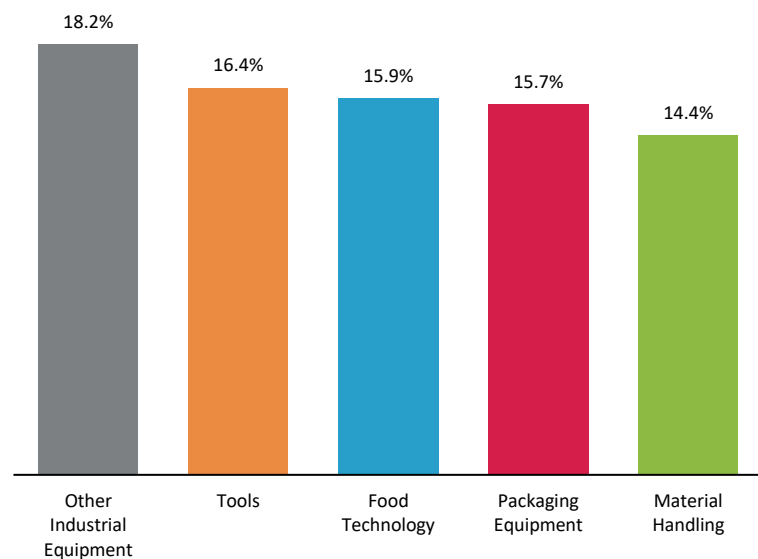
Gross Margin

(Median CY2022E gross margin for peer groups)



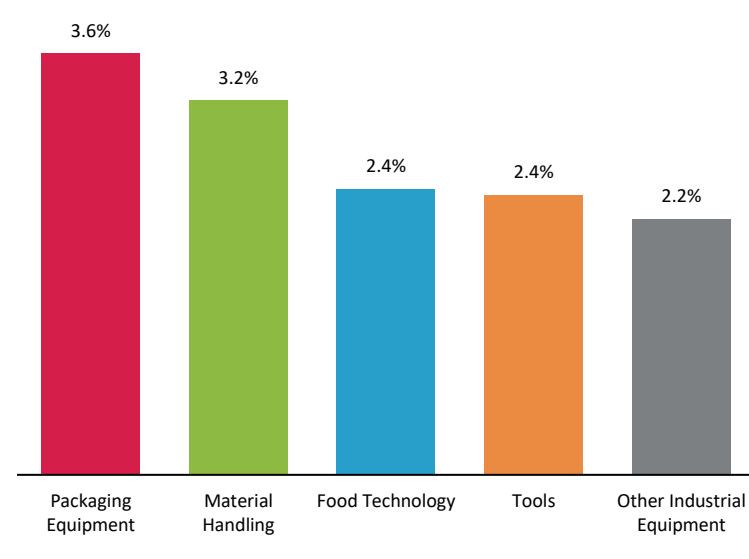
EBITDA Margin

(Median CY2022E EBITDA margin for peer groups)



Capex as a % of Sales

(Median CY2022E CapEx as a % of sales for peer groups)



EBIT Margin

15.6% 12.9% 12.0% 11.2% 11.2%

OCF Conversion ⁽¹⁾

67.2% 73.7% 84.6% 85.5% 84.1%

Source: S&P Capital IQ as of 10/24/2022.

Note: Pro forma values adjusted for M&A used when applicable; see page 9 for index constituents.

(1) OCF conversion defined as (EBITDA - CAPEX) / EBITDA.

Individual Company Performance Metrics

The forecast for 2022 suggests moderating growth and increasing margins relative to 2021, with significant uncertainty on 2023 performance

Company	Revenue Growth				EBITDA Growth				EBITDA Margin				Expansion/ (Contraction) ⁽¹⁾	'22E Capex % of Sales
	2020A	2021A	2022E	2023P	2020A	2021A	2022E	2023P	2020A	2021A	2022E	2023P		
Food Technology	(2.5%)	5.2%	6.4%	6.5%	(0.5%)	9.5%	12.3%	13.0%	17.6%	16.4%	15.9%	17.2%	86bps	2.4%
Alfa Laval	1.4%	(10.4%)	2.1%	13.2%	4.4%	(10.4%)	0.4%	16.2%	19.0%	19.0%	18.7%	19.2%	50bps	2.7%
Dover	(6.3%)	18.3%	7.3%	1.1%	(5.0%)	26.8%	10.6%	4.2%	18.9%	20.2%	20.9%	21.5%	64bps	2.1%
GEA	3.5%	(5.7%)	(6.1%)	6.0%	37.7%	20.2%	28.1%	9.9%	7.5%	9.6%	13.1%	13.6%	49bps	3.5%
John Bean Technologies	(11.2%)	8.1%	15.9%	7.1%	(11.7%)	(1.1%)	14.0%	18.5%	14.6%	13.4%	13.1%	14.5%	140bps	2.2%
Marel	5.1%	2.2%	5.5%	13.1%	4.1%	(13.7%)	(4.4%)	38.8%	16.2%	13.7%	12.4%	15.3%	283bps	4.8%
Middleby	(15.1%)	29.3%	26.3%	2.4%	(23.5%)	42.5%	21.3%	7.7%	19.8%	21.8%	21.0%	22.1%	108bps	1.0%
Material Handling Equipment	4.0%	4.7%	(2.8%)	6.8%	10.1%	3.6%	(2.4%)	13.6%	13.5%	14.7%	14.4%	15.4%	90bps	3.2%
Columbus McKinnon	(21.9%)	28.6%	11.3%	(0.7%)	(40.5%)	60.9%	16.4%	1.0%	12.1%	15.1%	15.8%	16.1%	27bps	2.0%
Daifuku	11.0%	(5.6%)	(10.7%)	5.5%	6.6%	(7.0%)	(8.2%)	12.1%	11.0%	10.8%	11.1%	11.8%	69bps	2.8%
Interroll	3.8%	17.1%	0.2%	3.1%	36.7%	4.5%	(5.1%)	9.8%	20.9%	18.6%	17.6%	18.8%	115bps	7.0%
Kardex	(4.5%)	2.6%	2.5%	8.1%	(1.1%)	(2.2%)	(7.4%)	23.2%	15.0%	14.3%	12.9%	14.7%	181bps	3.5%
Konecranes	4.2%	(6.8%)	(8.0%)	9.4%	42.7%	2.6%	12.5%	15.1%	8.5%	9.3%	11.4%	12.0%	59bps	1.6%
Tomra	9.1%	6.8%	(5.9%)	14.7%	13.6%	10.1%	0.2%	21.3%	17.6%	18.2%	19.4%	20.5%	111bps	5.4%
Packaging Equipment	(4.2%)	8.1%	3.0%	7.7%	(18.4%)	60.4%	13.5%	15.7%	11.8%	13.5%	15.7%	16.2%	69bps	3.6%
Bobst	(8.3%)	10.6%	2.8%	7.1%	(55.4%)	145.4%	46.0%	13.3%	3.2%	7.1%	10.0%	10.6%	58bps	2.8%
Krones	(8.9%)	0.5%	(2.9%)	8.3%	(48.1%)	111.9%	9.8%	18.1%	3.7%	7.9%	8.9%	9.7%	81bps	3.5%
Sealed Air	(0.2%)	12.9%	3.3%	1.6%	16.3%	8.9%	15.0%	3.9%	19.9%	19.2%	21.3%	21.8%	50bps	3.7%
SIG Combibloc	11.0%	5.5%	15.0%	8.7%	11.4%	2.2%	12.1%	34.0%	26.2%	25.3%	24.7%	30.4%	574bps	9.2%
Other Industrial Equipment	(4.7%)	10.9%	0.9%	2.5%	(4.5%)	29.9%	9.7%	4.4%	15.8%	16.8%	18.2%	18.5%	34bps	2.2%
Andritz	9.4%	(9.9%)	(6.0%)	7.0%	23.0%	13.6%	22.2%	5.5%	6.7%	8.4%	10.9%	10.8%	(15)bps	2.2%
DMG Mori	(26.1%)	7.9%	N/A	N/A	(50.1%)	31.3%	N/A	N/A	6.5%	7.9%	N/A	N/A	N/A	N/A
Dürr	(7.6%)	(1.1%)	1.8%	4.8%	(66.7%)	168.1%	21.3%	16.3%	2.6%	6.9%	8.3%	9.2%	91bps	2.3%
Graco	0.2%	20.5%	7.9%	2.5%	1.9%	21.2%	9.7%	4.0%	28.9%	29.1%	29.6%	30.0%	44bps	4.7%
Hillenbrand	(16.1%)	9.8%	0.7%	2.4%	57.1%	4.6%	0.0%	4.4%	19.2%	18.3%	18.2%	18.5%	34bps	1.7%
Husqvarna	12.9%	1.9%	(8.0%)	(1.7%)	33.8%	9.7%	(27.4%)	15.8%	14.0%	15.0%	11.9%	14.0%	211bps	4.7%
Kadant	(9.9%)	23.9%	13.4%	1.2%	(6.0%)	37.6%	14.5%	3.0%	18.2%	20.3%	20.5%	20.8%	36bps	1.2%
Lincoln Electric	(11.6%)	21.8%	16.0%	5.3%	(12.6%)	35.8%	28.2%	5.4%	15.4%	17.1%	18.9%	19.0%	3bps	1.7%
Nordson	(1.8%)	13.6%	5.1%	4.9%	(1.3%)	32.8%	6.7%	3.5%	26.6%	31.1%	31.6%	31.1%	(45)bps	1.6%
OC Oerlikon	(4.7%)	13.9%	0.9%	0.4%	(31.3%)	107.6%	27.0%	1.3%	7.3%	13.3%	16.8%	16.9%	16bps	4.5%
Otis	(2.8%)	12.1%	(3.8%)	1.6%	(3.0%)	13.6%	(0.1%)	3.6%	16.2%	16.4%	17.1%	17.4%	33bps	1.2%
Sandvik	(4.8%)	4.2%	(7.6%)	5.1%	(14.9%)	28.4%	(6.2%)	7.2%	19.0%	23.5%	23.8%	24.3%	47bps	3.9%
Tools	(1.7%)	15.9%	6.2%	1.5%	8.7%	24.5%	6.6%	10.4%	18.5%	16.6%	16.4%	19.8%	59bps	2.4%
Enerpac	(27.5%)	15.9%	6.2%	N/A	(52.9%)	81.3%	18.0%	24.0%	9.4%	14.7%	16.4%	N/A	N/M	2.4%
Fortive	1.9%	13.4%	10.3%	3.7%	8.7%	26.1%	15.8%	10.4%	22.0%	24.4%	25.7%	27.3%	165bps	0.9%
Illinois Tool Works	(14.3%)	15.0%	9.6%	(0.0%)	(13.8%)	17.7%	6.6%	3.1%	26.4%	27.0%	26.3%	27.1%	81bps	1.8%
Makita	18.8%	14.2%	(15.4%)	0.5%	20.5%	9.7%	(40.6%)	0.3%	16.9%	16.2%	11.4%	11.3%	(2)bps	5.2%
Snap-on	(3.1%)	16.7%	(2.5%)	2.6%	(6.2%)	24.5%	6.3%	2.3%	25.1%	26.8%	29.2%	29.1%	(8)bps	1.9%
Stanley Black & Decker	(1.7%)	19.6%	8.0%	(3.4%)	14.1%	7.2%	(42.1%)	25.8%	18.5%	16.6%	8.9%	11.6%	269bps	3.1%
Techtronic Industries	28.0%	34.6%	6.2%	10.1%	26.3%	33.1%	23.6%	13.5%	10.5%	10.4%	12.1%	12.5%	38bps	4.2%
Mean	(2.5%)	10.3%	3.0%	4.7%	(2.4%)	31.6%	7.2%	11.7%	15.5%	16.8%	17.4%	18.3%	91bps	3.1%
Median	(2.8%)	12.1%	2.6%	4.8%	(1.1%)	20.2%	10.2%	9.9%	16.2%	16.4%	16.9%	17.4%	58bps	2.7%

Source: S&P Capital IQ as of 10/24/2022.

(1) 2023P EBITDA Margin compared to 2022E EBITDA Margin.

Individual Company Performance Relative to Expectations

Most companies beat estimates in Q3 2022, but performance was mixed across Industrial Equipment sub-sectors

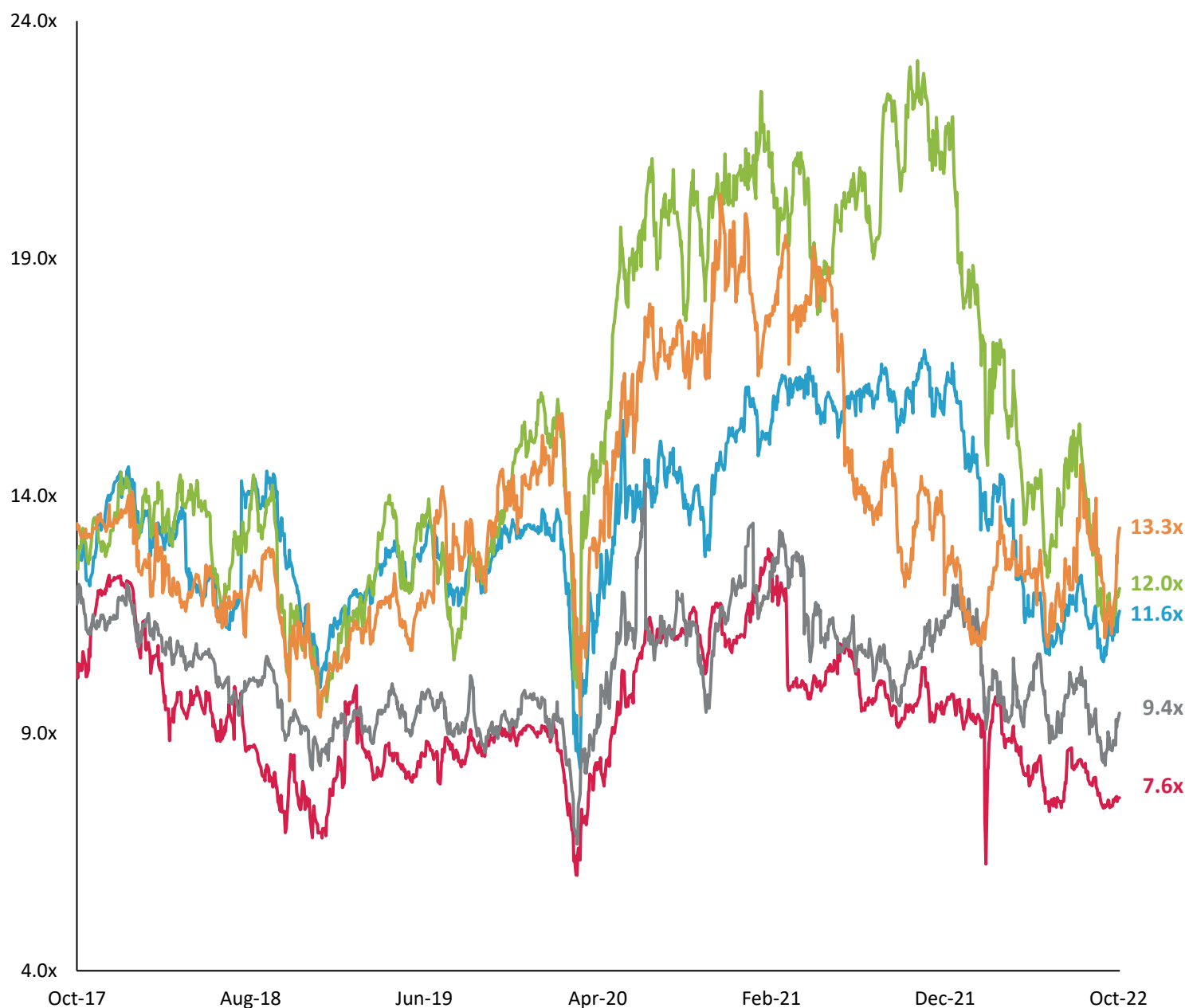
Company	Q3 2022 Estimate Beats / (Misses)		
	Revenue	EBITDA	EPS
Food Technology	1.1%	2.1%	3.2%
Alfa Laval	0.2%	(2.9%)	(17.5%)
Dover	0.3%	(0.2%)	3.2%
GEA	2.3%	4.5%	17.8%
John Bean Technologies	(0.4%)	2.1%	6.7%
Marel	9.1%	N/A	N/A
Middleby	1.8%	5.2%	3.2%
Material Handling Equipment	(1.8%)	2.7%	(12.6%)
Columbus McKinnon	(2.0%)	2.7%	N/A
Daifuku	(3.9%)	N/A	(39.1%)
Interroll	N/A	N/A	N/A
Kardex	N/A	N/A	N/A
Konecranes	4.4%	16.4%	16.1%
Tomra	(1.6%)	(12.5%)	(12.6%)
Packaging Equipment	5.9%	2.5%	16.1%
Bobst	N/A	N/A	N/A
Krones	5.9%	13.8%	23.3%
Sealed Air	(3.0%)	2.5%	8.9%
SIG Combibloc	26.9%	(0.8%)	N/A
Other Industrial Equipment	2.9%	4.1%	3.1%
Andritz	8.7%	10.8%	N/A
DMG Mori	N/A	N/A	N/A
Dürr	6.6%	15.1%	(34.9%)
Graco	5.1%	4.1%	3.1%
Hillenbrand	2.2%	2.8%	5.7%
Husqvarna	9.4%	(6.7%)	(40.9%)
Kadant	2.9%	7.7%	11.7%
Lincoln Electric	2.7%	1.1%	4.6%
Nordson	1.7%	0.1%	2.0%
OC Oerlikon	2.1%	5.4%	N/A
Otis	(2.5%)	1.1%	2.6%
Sandvik	7.5%	9.5%	3.3%
Tools	2.8%	4.0%	5.7%
Enerpac	2.4%	16.6%	37.0%
Fortive	0.9%	4.0%	3.9%
Illinois Tool Works	2.9%	2.0%	4.4%
Makita	6.2%	N/A	(95.2%)
Snap-on	2.7%	(1.4%)	7.0%
Stanley Black & Decker	3.4%	12.3%	8.6%
Techtronic Industries	N/A	N/A	N/A
Mean	3.5%	4.3%	(2.7%)
Median	2.6%	2.8%	3.9%

Industrial Equipment Valuation Dynamics

Current public market valuations have generally fallen below long-term, normalized levels after declining from record highs in 2021

Median EV / NTM EBITDA

Food Technology				Material Handling				Packaging Equipment				Other Industrial Equipment				Tools			
Current	11.6x	▲		Current	12.0x	▲		Current	7.6x	▲		Current	9.4x	▲		Current	13.3x	▲	
1-year	13.0x	(1.4x)		1-year	15.4x	(3.4x)		1-year	8.7x	(1.0x)		1-year	10.0x	(0.6x)		1-year	12.4x	0.9x	
5-year	13.3x	(1.7x)		5-year	14.3x	(2.2x)		5-year	9.3x	(1.6x)		5-year	10.2x	(0.7x)		5-year	13.0x	0.3x	



Source: S&P Capital IQ as of 10/24/2022.

Note: See page 9 for index constituents. Shading in table corresponds to categories in the charts below.

Current Public Market Valuations

Current public market valuations have generally fallen below long-term, normalized levels after declining from record highs in 2021

EV / EBITDA Multiples

(EV / NTM EBITDA multiples for peer companies)



Source: S&P Capital IQ as of 10/24/2022.

Note: DMG Mori excluded as estimates not available. EV / EBITDA values shown in order of current and 5-year median.

Individual Company Valuations

Overall, the Industrial Equipment sector currently trades at 12.0x 2022E EBITDA and 10.7x 2023P EBITDA

Company	Market Cap. (\$ m)	EV (\$ m)	EV / EBITDA		EV / EBIT		P / E		Net Debt / EBITDA
			2022E	2023P	2022E	2023P	2022E	2023P	2022E
Food Technology			12.9x	11.6x	16.8x	14.9x	18.6x	16.4x	3.0x
Alfa Laval	\$10,712	\$11,849	13.7x	11.8x	18.1x	15.2x	21.2x	17.7x	1.4x
Dover	17,706	22,001	12.4	11.9	15.5	14.6	14.9	14.2	1.9x
GEA	5,993	6,052	9.2	8.4	12.3	11.3	17.6	16.1	N/A
John Bean Technologies	3,046	3,816	13.4	11.3	19.5	15.9	19.5	16.7	3.3x
Marel	2,314	3,333	16.4	11.8	22.7	15.7	38.9	18.3	4.1x
Middleby	7,079	9,629	11.2	10.4	13.7	12.5	14.0	12.8	3.0x
Material Handling Equipment			12.6x	11.4x	15.1x	13.4x	22.0x	19.5x	1.9x
Columbus McKinnon	\$742	\$1,239	8.4x	8.3x	11.7x	11.2x	9.1x	8.1x	2.8x
Daifuku	5,690	5,114	11.9	10.6	13.3	12.0	21.4	19.0	N/A
Interroll	1,690	1,644	13.3	12.1	16.9	15.3	22.6	20.6	N/A
Kardex	1,097	1,102	16.1	13.0	18.7	14.8	25.9	20.0	N/A
Konecranes	1,742	2,811	7.4	6.4	10.0	9.0	9.7	8.3	1.9x
Tomra	4,536	4,953	21.9	18.1	34.6	26.6	44.7	35.1	1.0x
Packaging Equipment			7.8x	7.1x	11.1x	9.7x	15.2x	12.7x	3.1x
Bobst	\$1,261	\$1,053	6.0x	5.3x	8.1	6.9x	12.2x	10.7x	N/A
Krones	2,979	2,710	7.6	6.4	12.2	9.8	18.3	14.5	N/A
Sealed Air	6,845	9,751	8.0	7.7	10.0	9.7	11.5	11.0	2.8x
SIG Combibloc	7,493	9,759	14.7	10.9	24.5	19.2	24.1	21.4	3.3x
Other Industrial Equipment			10.1x	9.4x	12.9x	12.1x	14.2x	14.4x	1.1x
Andritz	\$4,572	\$4,384	5.8x	5.5x	8.6x	7.8x	12.5x	11.8x	N/A
DMG Mori	3,201	3,042	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dürr	1,778	2,011	5.9	5.1	8.7	6.8	12.7	10.2	0.3x
Graco	10,778	11,194	17.6	17.0	19.7	18.9	24.7	23.1	N/A
Hillenbrand	2,835	4,108	7.7	7.4	9.5	9.1	10.3	N/A	2.0x
Husqvarna	3,120	4,693	8.3	7.1	12.6	10.5	11.5	10.3	2.0x
Kadant	1,977	2,171	11.9	11.6	14.6	14.4	18.9	17.7	0.7x
Lincoln Electric	7,703	8,918	12.6	11.9	14.2	13.4	16.4	15.6	1.0x
Nordson	12,521	13,387	16.5	16.0	18.9	18.3	23.3	22.1	1.0x
OC Oerlikon	2,097	2,668	5.4	5.4	9.4	9.4	12.3	11.3	1.1x
Otis	28,189	36,535	15.5	15.0	17.0	16.3	20.9	19.2	2.5x
Sandvik	19,505	24,336	10.1	9.4	12.9	12.1	14.2	13.2	1.6x
Tools			13.0x	10.7x	15.9x	16.1x	16.0x	14.7x	1.4x
Enerpac	\$1,436	\$1,636	17.4x	14.1x	22.1x	N/A	27.0x	21.2x	1.4x
Fortive	22,317	25,711	17.3	15.7	25.7	22.6	20.2	18.8	1.9x
Illinois Tool Works	62,166	72,946	17.5	17.0	19.5	19.0	22.1	21.2	1.6x
Makita	5,086	5,385	9.0	9.0	14.4	18.1	16.0	14.7	1.0x
Snap-on	11,307	12,703	9.7	9.5	10.5	10.3	12.8	12.7	0.4x
Stanley Black & Decker	11,225	19,588	13.0	10.4	15.8	13.5	14.0	11.8	5.3x
Techtronic Industries	17,774	20,634	12.1	10.7	15.9	14.0	15.0	13.1	1.3x
Mean			11.9x	10.6x	15.6x	13.8x	18.5x	16.1x	1.9x
Median			12.0x	10.7x	14.5x	13.5x	17.0x	15.6x	1.8x

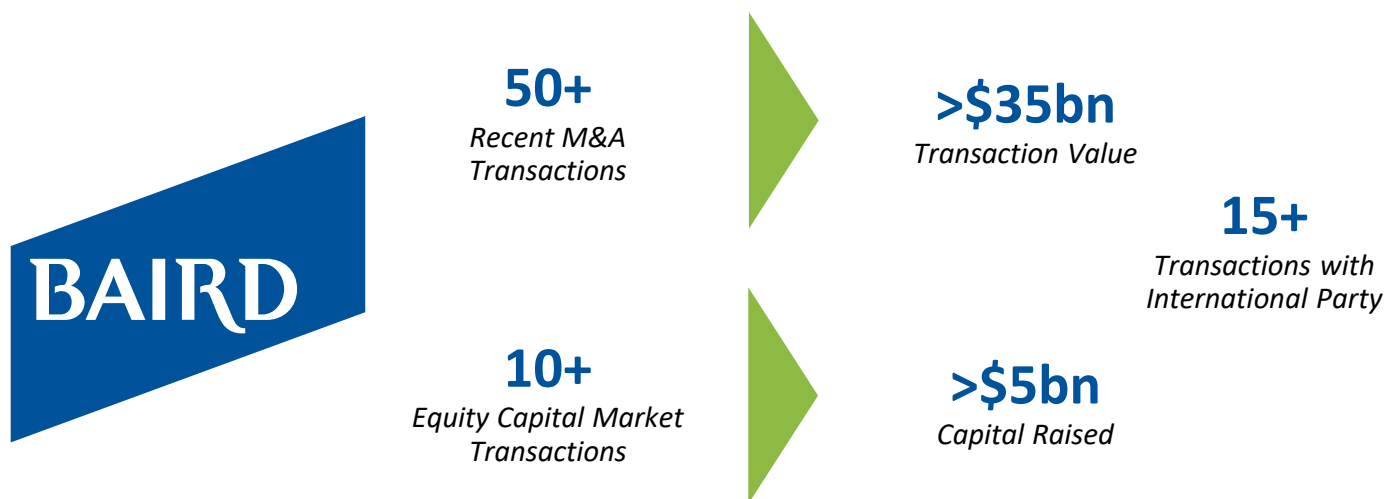
Source: S&P Capital IQ as of 10/24/2022.

Note: Pro forma values adjusted for M&A used when applicable.

BAIRD'S INDUSTRIAL EQUIPMENT PRACTICE

Baird's Commitment to Industrial Equipment

Dedicated team with extensive experience in the Industrial Equipment sector



Dedicated Industrial Equipment Team



Mike Barina
Managing Director



Mike Lindemann
Co-Head of Global M&A

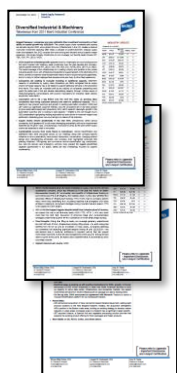


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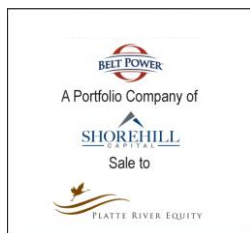
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Baird's Recent Industrial Equipment Experience



Premium belting and automation solutions



Automation solutions for the food processing industry



Ergonomic products for working and healthcare environments



Vehicle-mounted aerial lifts and other equipment



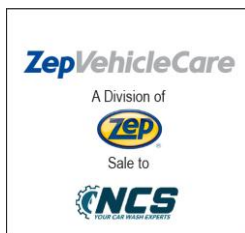
Food processing equipment and aftermarket solutions



Process automation solutions and components



Inventory vending and dispensing solutions



Commercial car wash chemical and water reclamation systems



Highly engineered fluid handling products



Air management, thermal, HVAC and IAQ solutions



Industrial, precision and sanitary conveyance solutions



Car wash equipment, chemicals, parts and service



Engineered steel platform solutions supporting industrial automation systems



Lightweight conveyor belting and industrial conveyor products



Branded tools and products for electrical construction and maintenance

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