



BAIRD

INDUSTRIAL EQUIPMENT SECTOR UPDATE

June 2024

Baird's Industrial Equipment Update

After a challenging 2023, the industrial equipment sector is gaining momentum

Industrial Equipment Update

■ Macroeconomic Environment

- Overall economic trajectory and global uncertainty were an overhang on industrial equipment sector performance in 2023, but there is increased optimism on 2024 outlook, especially H2
- Organic growth / cost initiatives continue to be priorities, but there is growing acceptance of “higher for longer” rate environment that is driving deferral of capex investments
- Dealer inventory destocking weighed on equipment suppliers in 2023, but order trends are improving and there is a generally positive attitude toward 2024 / 2025 demand improvements

■ Public Market Backdrop

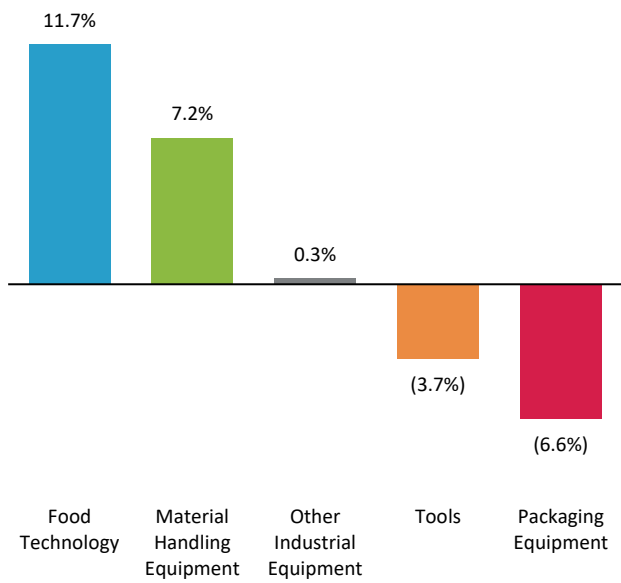
- Stocks have reacted positively despite lack of Fed easing as public market indices trade at record highs
- Investors favoring material handling and industrial tool and equipment stocks with resilient demand profiles; “flight to quality” remains the main theme in relative positioning
- Automation continues to be a powerful megatrend driving growth across the industrial equipment landscape, with customers prioritizing solutions with short payback and demonstrated ROI
- Investors continue to be cautious in their forward outlook but see relative strength in companies with greater backlog visibility that are levered to strong secular trends

■ M&A Environment

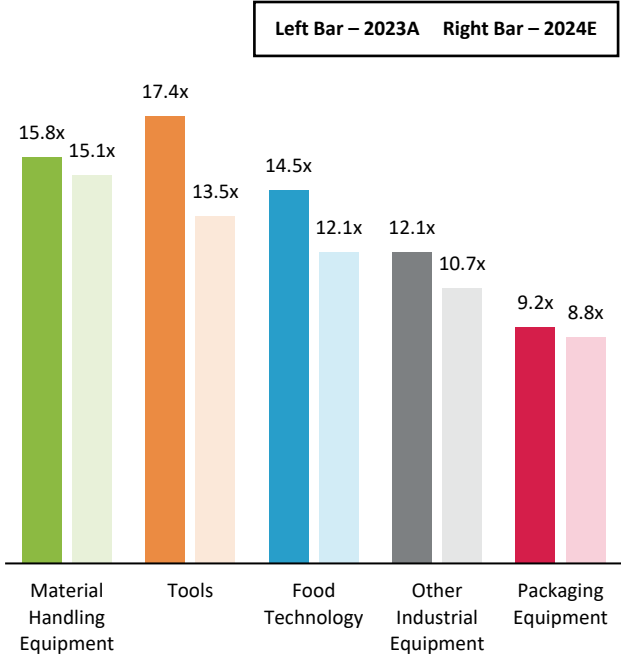
- M&A market activity has seen notable uptick in activity in 2024, with strong valuations for premium / high growth assets
- More attractive financing environment for M&A, with credit market environment significantly improved vs. 2023

Sector Trading Update

2024 YTD Share Price Performance



2023A and 2024E Median EV / EBITDA



Links to Selected Baird Research

[Machinery Weekly](#)

June 14, 2024

[Capital Goods Bulletin](#)

June 14, 2024

[PPI Update](#)

June 13, 2024

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*



"1Q24 results basically in line with expectations; organic sales +1%, orders -4%, backlog -2%, EBITDA margin +60 bps year/year (\$5 million of cost savings). NA poultry quoting activity picking up as processor profitability improves, expected to translate into firm orders in 2Q and shipments in 2H. 2024 adj. EPS, adj. EBITDA, organic sales guidance reiterated, builds in healthy sales growth acceleration in the 2H (our model is somewhat more conservative). Preliminary Marel S-4 filing expected this month; we remain long-term buyers given our positive view of the transaction."

- Research note on 5/2/24



"Stock is outperforming after solid beat against somewhat depressed expectations and commentary that supports healthy orders and the potential for estimate reacceleration from here. Importantly, the favorable setup we saw entering 2024 remains in place, driven by healthy short-cycle trends, green shoots in biopharma, and secular growth platforms. After 18+ months of stable/downward organic estimate revisions, we believe improving end market dynamics, order trends, channel inventory levels, and internal initiatives support estimate reacceleration ahead, which in our mind is simplistically the key catalyst here given a reasonable relative valuation multiple."

- Research note on 04/25/24



"1Q was expected to start slowly (in part due to channel dynamics in CFS and Resi, consistent with our Food Equipment Checks) with actual results somewhat below expectations (organic sales: CFS -4%, FP -8%, Resi: -22%). Encouragingly, adj. EBITDA margin flattish in CFS and FP despite top-line headwinds. Looking forward, management expects 1Q to mark a low in consolidated sales (destocking completed) with year/year growth still expected in 2H24. With valuation near low end of historical range (~10x EV/EBITDA), we continue to recommend MIDD for patient investors."

- Research note on 05/08/24



"3Q24 beat with Aerospace the primary driver, slight guidance raise, orders moderate. PH continues to execute well delivering another operating beat as Aerospace revenue and margin exceeded expectations. With one quarter left, guidance was nudged higher (1% above consensus). Orders were flat vs. +2% last quarter, Aero continues growing double digits but Industrial starting to show some pressure from off-highway verticals (International orders were softer than we expected), this sets up as a near term headwind for the stock."

- Research note on 05/02/24



"Q1 results operationally in-line, management reiterated full-year 2024 guidance, and long-term transformation on track, yet shares -8% today (vs. S&P +1%). While we can't point to one thing driving today's weakness, we think a combination of heightened outdoor expectations, still muted demand tone/commentary, and slightly lower Tools EBIT all are contributing. Dewalt and overall pro commentary encouraging, as is progress on transformation, but we're cognizant more structural changes still ahead. Overall, we remain on sidelines as we look for further signs of turnaround/end-market progress."

- Research note on 05/02/24

* Coalition Greenwich's 2023 surveys of North American Equity Investors. Surveys conducted with 95 small-cap and mid-cap fund managers and 235 traders. Rankings for qualitative metrics based on leading research firms in surveys.

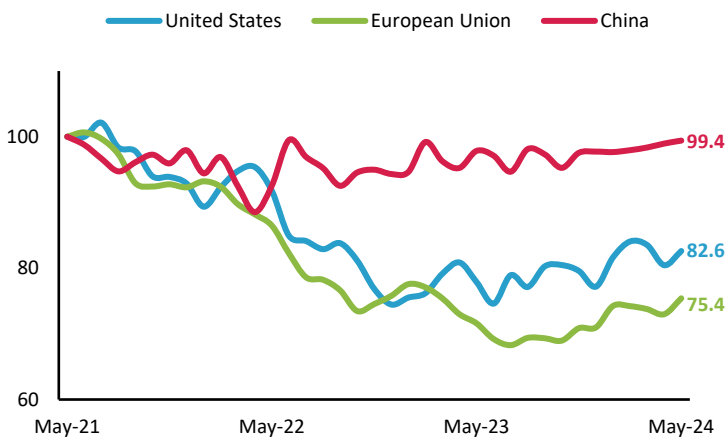
Note: The above excerpts from Baird Equity Research reports were from the current quarterly earnings reports as of the preparation of this report but may not be the most current reports available.

Industrial Equipment Market Backdrop

The global production environment is giving mixed signals in late 2023 / early 2024

Manufacturing Purchasing Manager's Index (1)

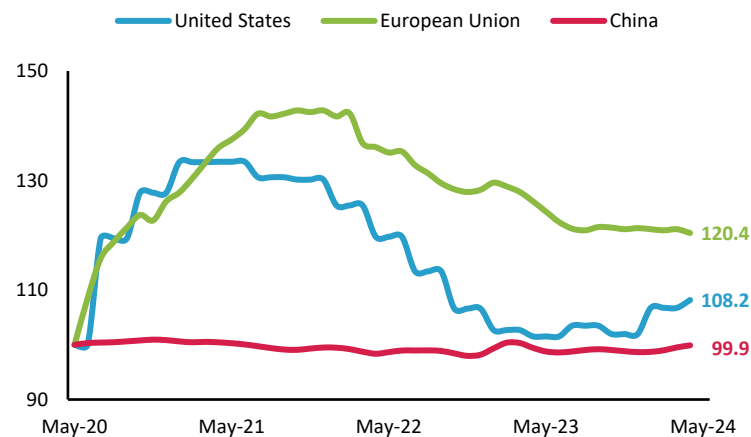
(Index equals 100)



Purchasing manager sentiment in U.S. declined in early 2024, China has stabilized and Europe continues to suffer from anemic growth and the ongoing conflicts

Business Manager Confidence (1)

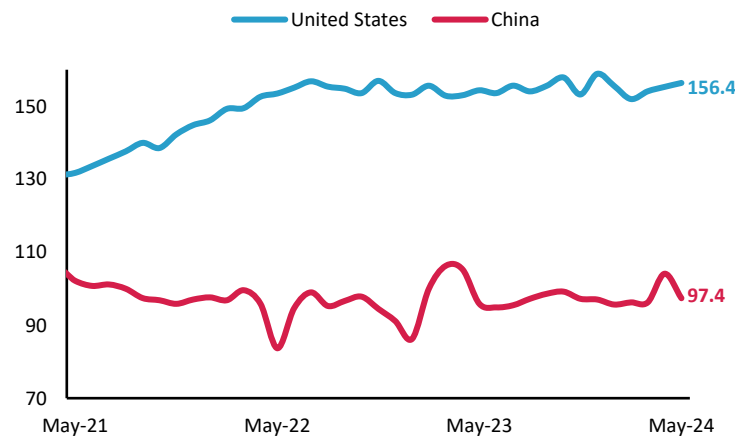
(Index equals 100)



Globally, business manager sentiment continues to slide, but the U.S. has seen an uptick through

Manufacturing New Orders (1)

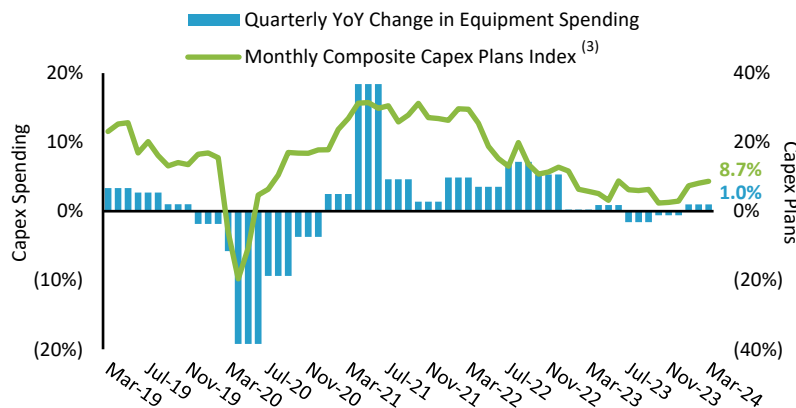
(Index equals 100)



Modest uptick in U.S. new order activity in Q1 following flattish conditions seen in the prior 12-18 months

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

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



Business investment in the sector increased slightly in Q1 2024, but remains conservative and mostly in-line with 2023

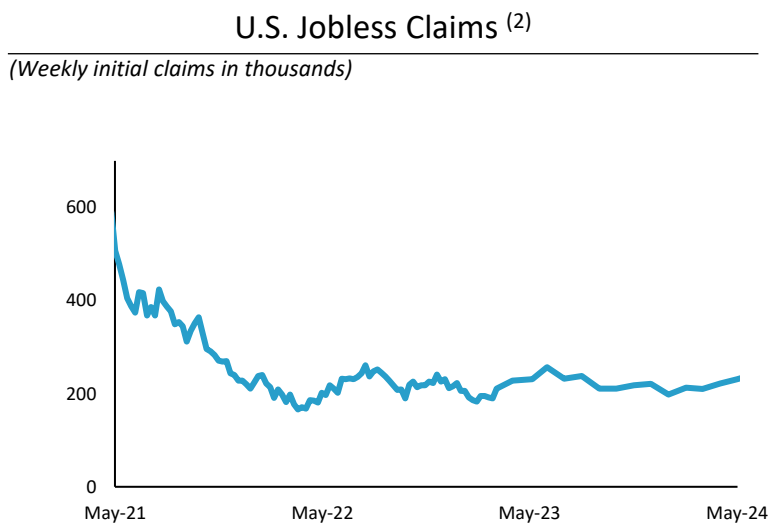
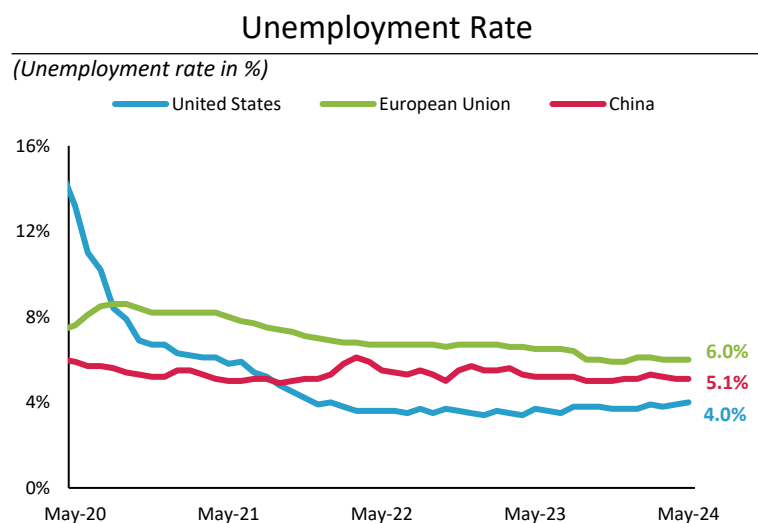
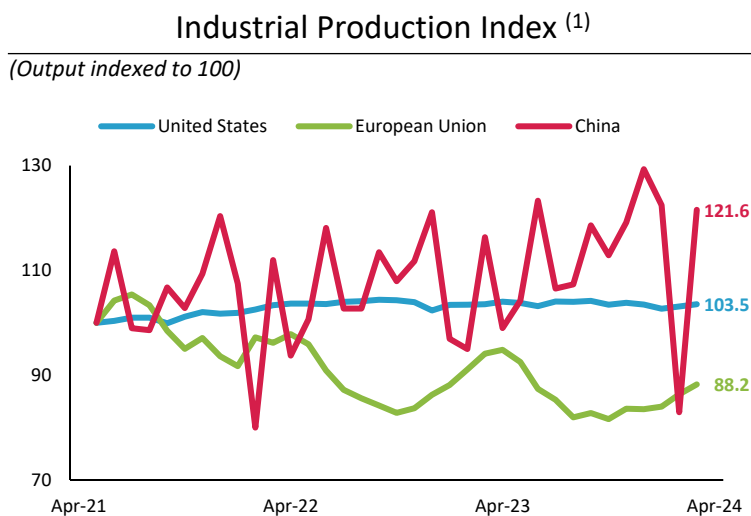
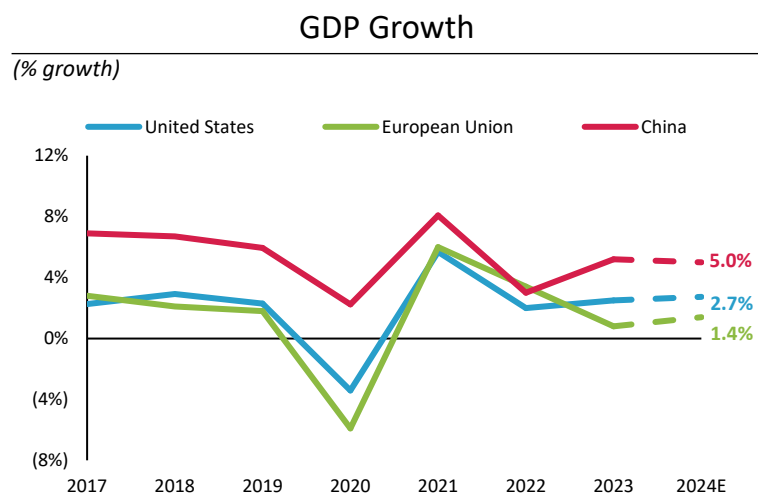
Source: S&P Capital IQ, Federal Reserve, Institute for Supply Management, OECD Business Confidence Index, Y Charts, Eurostat, Strategas and Baird Investment Banking as of 06/17/2024.

(1) Data indexed to 100 for comparison purposes.
 (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



In The News

Recent Headlines & Notable Events

- **6/7:** German Industrial Production Fell Unexpectedly in April ([HERE](#))
- **6/12:** US Inflation Falls to 3.3% in May in Boost to Markets ([HERE](#))
- **6/16:** Investors Fear Long Stretch of Calm in Markets Can't Last ([HERE](#))
- **6/17:** Manufacturing Activity in New York State Shrinks Less than Forecast in June ([HERE](#))

Upcoming Trade Shows

- **International Manufacturing Technology Show**
Chicago, IL (9/9/2024 – 9/14/2024)
- **Pack Expo 2024**
Chicago, IL (11/3/2024 – 11/6/2024)

Source: Baird Research, Federal Reserve, Bureau of Labor Statistics, Markit Economics, 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.

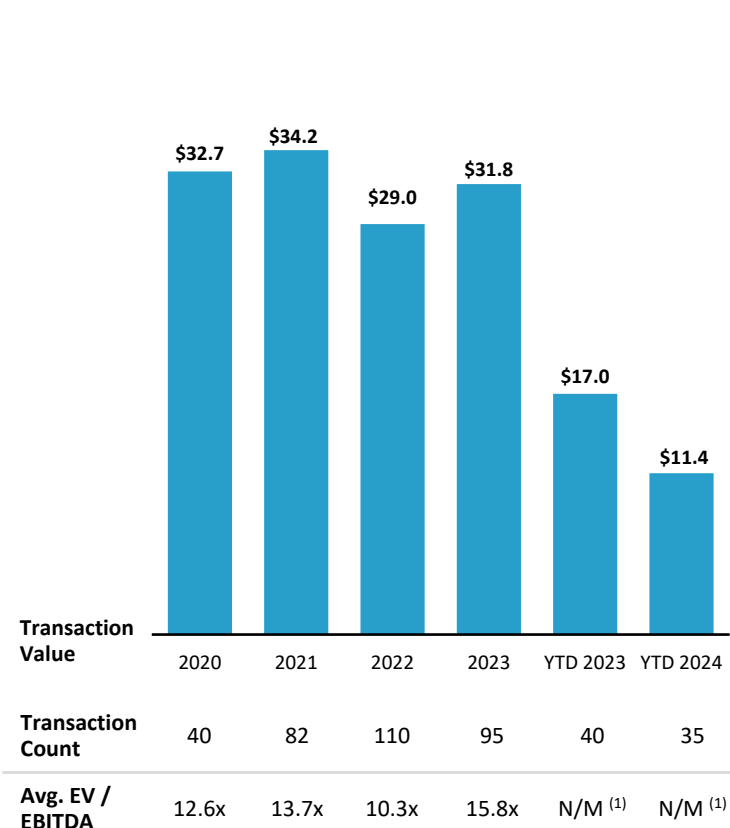
M&A and Financing Market Update

M&A and financing markets have improved notably and are poised for increasing activity in 2024

M&A Market Update

Industrial Equipment M&A Activity

(\$ in billions)

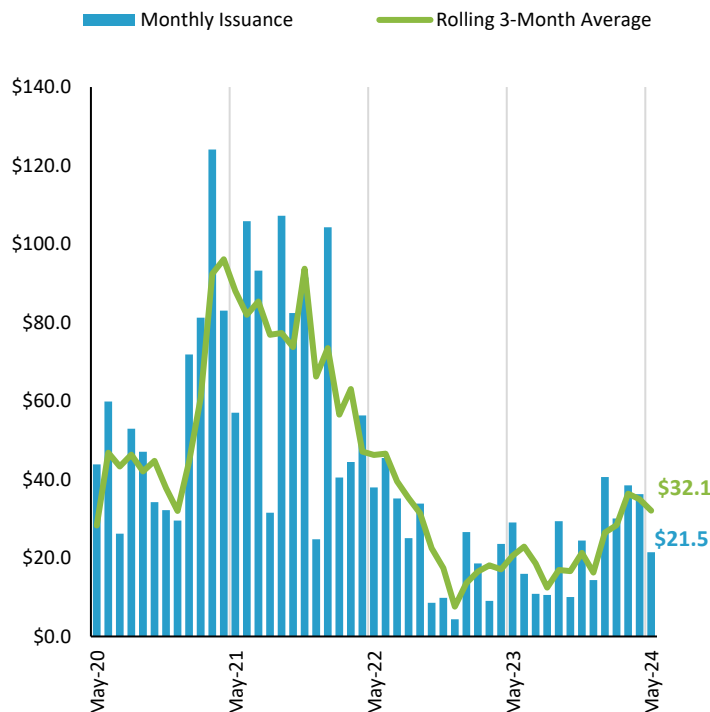


- M&A \$ market activity was slightly lower in Q1 / early Q2 2024 vs Q1 / early Q2 2023, but outlook for the rest of 2024 is significantly more positive with a high level of ongoing activity
- Supported by ample dry powder and cash balances, sponsor and strategic buyers remain acquisitive but selective with what they pursue
- Overall asset quality and resilience is in focus, with top-tier businesses trading at premium valuations
- Optimism for M&A activity to strengthen in 2H 2024 given strong financing markets, but with some uncertainty around the U.S. elections in Q4

Financing Market Update

Global High-Yield Loan Volume

(monthly; \$ in billions)



- Financing markets have improved notably relative to 2022 and 2023, led by private credit activity and a strengthening syndicated market
- Positive fundamentals for direct lenders include a solid pace of transactions, increased prominence of junior capital and substantial dry powder to be deployed
- Across markets during Q1 / early Q2 2024, interest rates stabilized and lenders are open to a variety of financing structures with leverage levels and fixed charge coverage ratio covenants approaching historical averages
- Credit availability is likely to broaden in the coming months, especially when the Fed eventually starts to ease

Source: S&P Capital IQ, S&P LCD and Dealogic as of 6/17/2024.
Includes U.S. and Europe M&A with transaction value disclosed above \$20 million per Dealogic.
(1) Average multiple not meaningful due to limited number of disclosed metrics.

Selected Recent Industrial Equipment M&A Activity

Top tier Industrial Equipment assets are continuing to see attractive interest and outcomes

Date Announced	Target	Acquiror	Target Description	Enterprise Value	EV /	
					Sales	EBITDA
5/15/2024	Paxiom	ATS Corporation	Provider of primary, secondary, and end-of-line packaging machines in the food and beverage, cannabis, and pharmaceutical industries	N/A	N/A	N/A
5/8/2024	Mallard Manufacturing	MacLean-Fogg	Manufacturer of gravity flow racks and conveyors	N/A	N/A	7.0x
4/19/2024	Nothum Food Processing Systems	Fortifi Food Processing Solutions	Designer, developer and manufacturer of highly innovative further production equipment	N/A	N/A	N/A
4/11/2024	Soflax	Group SEB	Manufacturers several professional and semi-professional cooking equipment brands	N/A	N/A	N/A
3/11/2024	Ameron Pole Products (NOV)	Arcosa	Manufacturer of highly engineered, premium concrete and steel poles for a broad range of infrastructure applications	\$180	1.9x	9.0
3/6/2024	Webster Industries	MPE Partners	Manufacturer of engineered class chain, engineered class sprockets, and vibratory equipment	N/A	N/A	N/A
3/1/2024	Electro-Mechanical LLC	Oaktree Capital Management	Leading manufacturer of engineered electrical equipment	N/A	N/A	N/A
2/27/2024	Duravant	Ferdinand Henneken GmbH	Leading manufacturer of protein processing solutions	N/A	N/A	N/A
2/21/2024	SBG Holdings, Inc.	Charger Investment Partners	Leading manufacturer of consumables and highly specialized equipment used for polished concrete flooring	N/A	N/A	N/A
2/20/2024	Cam Tran	Central Moloney (Wind Point)	Leading Canadian manufacturer of a diverse line of distribution transformers	N/A	N/A	N/A
1/22/2024	Integrated Warehouse Solutions	ASSA ABLOY	Manufacturer of loading dock equipment	N/A	N/A	N/A
1/3/2024	Sunnen Product Company	P4G Capital	Leading manufacturer of proprietary machining products	N/A	N/A	N/A
1/2/2024	Signature Systems	Myers Industries	Leading manufacturer and distributor of composite ground protection products	350	2.9	8.0
12/18/2023	Felix Storch	65 Equity	Manufacturer of specialty refrigeration and cooking appliances	N/A	N/A	N/A
12/14/2023	Combi Packaging Systems	SIAT Group (H.I.G. Capital)	Producer and distributor of end-of-line packaging machinery and spare parts	N/A	N/A	N/A
12/13/2023	CARR Commercial Refrigeration Business	Haier	Offers transport refrigeration and monitoring products and services	775	0.8	16.5
12/7/2023	Smart Metering Systems	KKR	Owner, installer and manager of energy infrastructure	1,700	20.0	N/A
11/30/2023	Power Grid Components, Inc	Blackstone Energy Transition Partners	Provider of a products across three segments—air-break switches, insulators and instrument transformers	N/A	N/A	N/A
11/20/2023	Sentry Equipment & Erectors	ProMach	Manufacturer of conveyor and container handling machines	N/A	N/A	N/A
11/7/2023	Rhino Tool Company	Palindrome	Leading manufacturer of pneumatic, hydraulic and gas-powered tools	N/A	N/A	N/A
10/30/2023	Systems Control	Hubbell Incorporated	Leading manufacturer of substation control & relay panels and building solutions	1,100	2.8	12.0
10/27/2023	Central Maloney	Wind Point Partners	Leading manufacturer of critical infrastructure products / transformers for the U.S. electrical grid	N/A	N/A	N/A
10/25/2023	National Power	Ridgepoint	Leading provider of power reliability and resilience solutions for mission-critical operations	N/A	N/A	N/A
10/25/2023	XMA Corporation	Amphenol Corporation	Manufactures terminations, DC blocks, power dividers, couplers, equalizers, and adapters	N/A	N/A	N/A
10/23/2023	EA Elektro-Automatik Holding GmbH	Fortive Corporation	Manufactures programmable and bidirectional power supplies and electronic loads	1,696	N/A	N/A
10/12/2023	DESTACO	Stabilus SE	Supplier of motion control solutions for a wide range of industries	680	N/A	N/A
9/5/2023	Midland Industries	Gemspring Capital	Manufactures fittings, valves, clamps, hoses and related products for industrial end market	N/A	N/A	N/A
9/1/2023	Schenck Process Food and Performance Materials	Hillenbrand Inc	Manufacturer of measuring and process technologies	730	N/A	N/A
8/16/2023	National Presort	Duravant	Manufactures automated parcel sortation systems	N/A	N/A	N/A
8/1/2023	Disptek Group	Micro Matic	Provides dispense technology for beverages and liquids	N/A	N/A	N/A
7/31/2023	I.M.A. Industria Macchine Automatiche	BDT & MSD Partners	Designs and manufactures automatic packaging machines	6,750	N/A	N/A
7/24/2023	PPM Technologies	Duravant	Manufactures conveyors and graders for food handling	N/A	N/A	N/A
6/30/2023	DMC Power	Golden Gate Capital	Manufactures proprietary connector systems and tools for electrical utility applications	N/A	N/A	N/A
6/14/2023	Material Handling Assets of FLSmidth	KOCH Solutions	Material handling technology, part of the non-core activities segment	N/A	N/A	N/A
5/24/2023	Loibl Förderanlagen	Martin Group	Manufactures bulk material handling solutions for power generation, biomass and recycling applications	N/A	N/A	N/A
5/4/2023	LIFTKET	Ardian	Manufactures electric chain hoists and control systems for a variety of demanding applications	N/A	N/A	N/A
5/3/2023	ProMach	BDT Capital Partners	Designs and manufactures packaging solutions	N/A	N/A	N/A
5/2/2023	Coollt Systems	KKR	Designs, engineers, and manufactures direct contact liquid cooling technologies	N/A	N/A	N/A
4/26/2023	Montratec	Columbus McKinnon	Automation solutions company that designs intelligent automation and transport systems	124	4.2	13.0
4/12/2023	National Instruments	Emerson Electric	Manufacturer of automated test and automated measurement systems	8,632	5.1	23.9
4/5/2023	Rhino Tool House	Blue Sea Capital	Provides customized assembly tools and material handling solutions to OEMs	N/A	N/A	N/A
4/3/2023	ECM Industries	nVent	Provider of electrical connectors, tools and test instruments and cable management	1,100	2.7	10.6
3/3/2023	Rochester Cable	Hexatronic	Manufactures harsh environment electro-optical cables and other connectivity solutions	55	N/A	7.0
1/31/2023	PTR Baler & Compactor Co.	Komar	Equipment manufacturer and national service provider for vertical balers	N/A	N/A	N/A
1/29/2023	Nadella	The Timken Company	Manufactures, distributes and integrates systems in the linear and motion solutions market	N/A	N/A	N/A
1/25/2023	Storage Solutions	Jungheinrich AG	Provider of warehouse design, automation and integration solutions	400	1.3	N/A
1/20/2023	ABB (Power Conversion Business)	AcBel Polytech	Manufacturer of electricity grids, low voltage products, power products and system	505	1.1	N/A
1/18/2023	Elgin Separation Solutions	TerraSource	Manufacturer of material processing parts and equipment	N/A	N/A	N/A

Average	5.0x	13.7x
Median	2.8x	12.5x

Note: Dollars in millions.
Source: Capital IQ, company disclosure, Wall Street research and industry press.

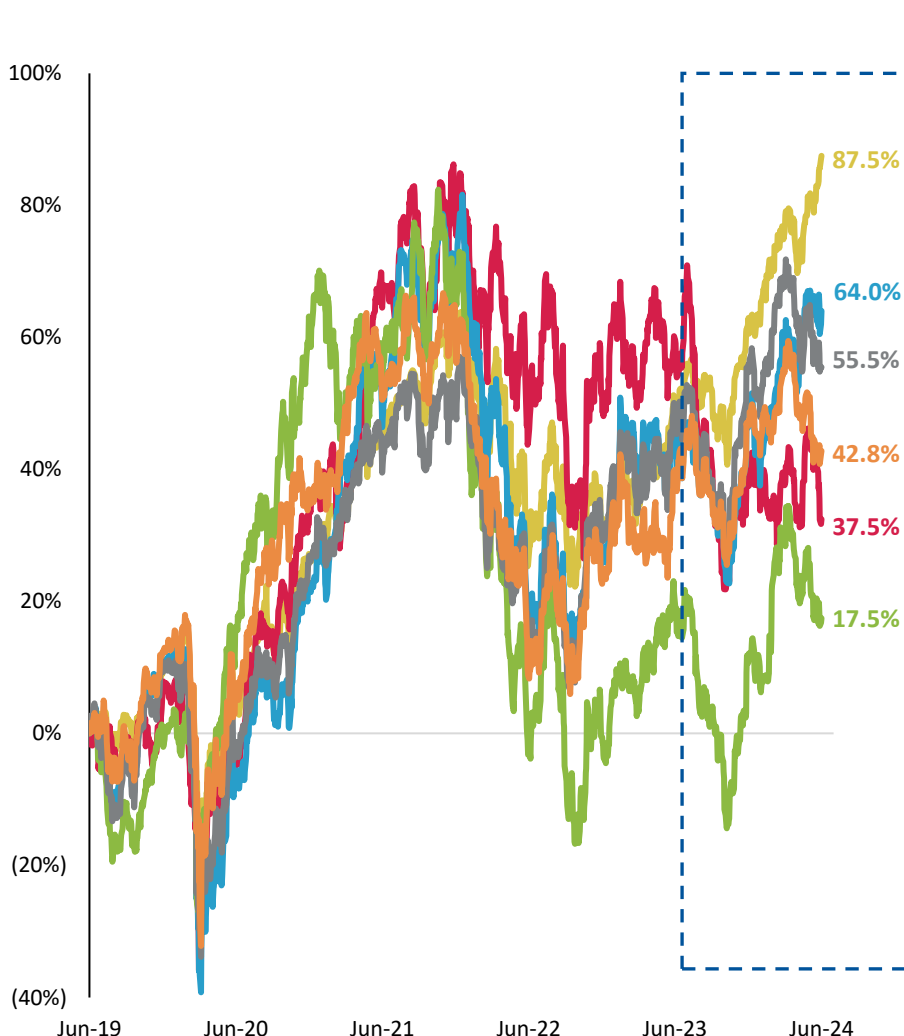
Industrial Equipment Share Price Evolution

Industrial Equipment stocks have picked up momentum in 2024, but are underperforming the broader market

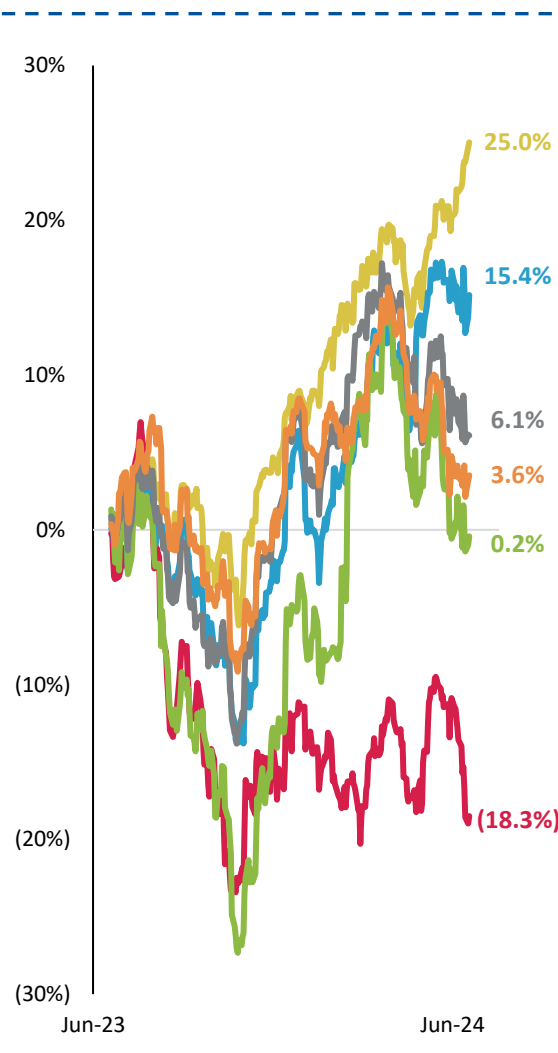
Share Price Performance

Food Technology		Material Handling Equipment		Packaging Equipment		Other Industrial Equipment		Tools		S&P 500	
YTD	11.7%	YTD	7.2%	YTD	(6.6%)	YTD	0.3%	YTD	(3.7%)	YTD	15.7%
1-Year	15.4%	1-Year	0.2%	1-Year	(18.3%)	1-Year	6.1%	1-Year	3.6%	1-Year	25.0%
5-Year	64.0%	5-Year	17.5%	5-Year	37.5%	5-Year	55.5%	5-Year	42.8%	5-Year	87.5%

5-Year Share Price Trends



Last 12 Months Share Price Trends



Source: S&P Capital IQ as of 06/17/2024.

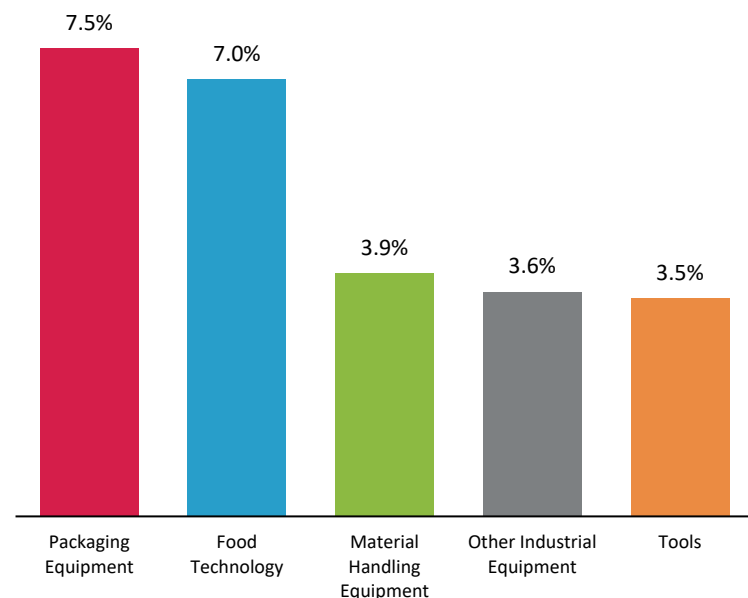
Note: Indices calculated as an unweighted average. See page 9 for index constituents. Shading in table corresponds to categories in the charts below.

Sector Financial Metrics Snapshot

Summary of key financial metrics across the Industrial Equipment sector

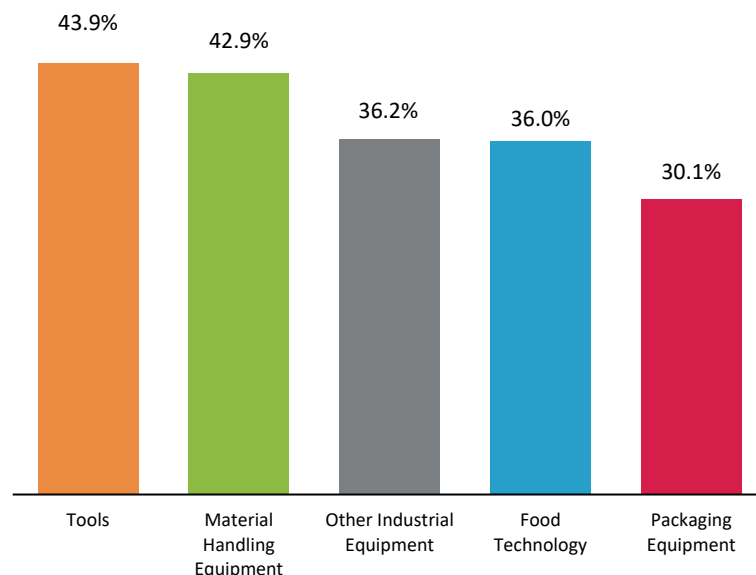
3-Year Revenue CAGR

(Median CY2021A - CY2024E revenue CAGR for peer groups)



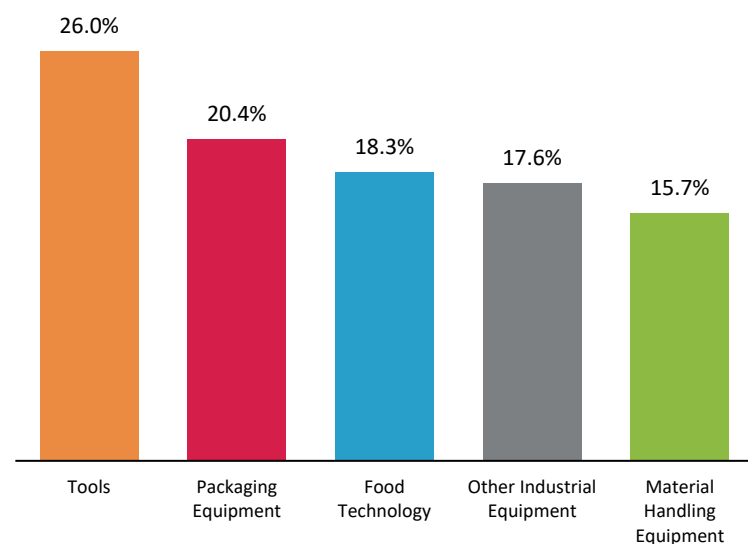
Gross Margin

(Median CY2024E gross margin for peer groups)



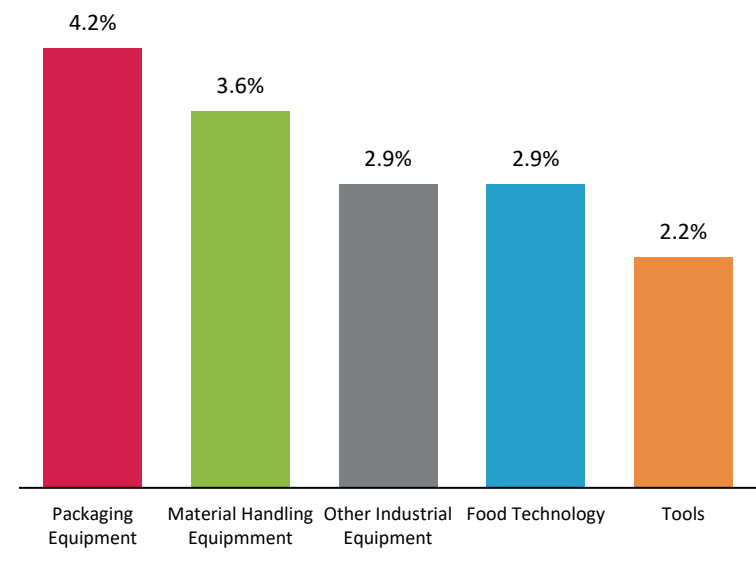
EBITDA Margin

(Median CY2024E EBITDA margin for peer groups)



Capex as a % of Sales

(Median CY2024E CapEx as a % of sales for peer groups)



EBIT Margin

20.2% 12.2% 14.4% 16.5% 11.5%

OCF Conversion ⁽¹⁾

69.2% 75.5% 83.0% 84.3% 92.2%

Source: S&P Capital IQ as of 06/17/2024.

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 2024 suggests slowing revenue growth and continued margin growth relative to 2023

Company	Revenue Growth			EBITDA Growth			EBITDA Margin			Expansion / Contraction ⁽¹⁾	'24E Capex % of Sales
	2022A	2023A	2024E	2022A	2023A	2024E	2022A	2023A	2024E		
Food Technology	11.9%	4.5%	1.0%	7.0%	5.9%	15.7%	15.7%	16.5%	18.3%	179 bps	2.9%
Alfa Laval	10.5%	26.4%	4.5%	0.7%	27.1%	15.0%	17.3%	17.4%	19.2%	175 bps	3.2%
Dover	7.6%	(0.8%)	2.3%	7.7%	0.7%	6.6%	20.3%	20.6%	21.4%	87 bps	2.0%
GEA	3.2%	7.6%	(1.3%)	11.4%	(1.5%)	30.3%	12.1%	11.1%	14.7%	355 bps	4.7%
John Bean Technologies	13.4%	4.9%	4.1%	6.4%	15.7%	16.4%	14.1%	15.5%	17.3%	183 bps	2.7%
Marel	18.0%	4.2%	(1.6%)	(17.0%)	7.0%	41.5%	9.6%	9.9%	14.2%	433 bps	3.4%
Middleby	24.1%	0.1%	(0.3%)	18.8%	4.8%	5.9%	20.3%	21.3%	22.6%	133 bps	1.8%
Material Handling Equipment	2.0%	12.3%	(1.9%)	(0.9%)	13.7%	10.4%	12.9%	14.4%	15.7%	130 bps	3.6%
Columbus McKinnon	11.5%	7.1%	3.0%	14.8%	14.9%	9.9%	14.3%	15.3%	16.4%	103 bps	3.8%
Daifuku	1.7%	(2.4%)	(8.4%)	7.5%	(7.1%)	(6.9%)	11.5%	10.9%	11.1%	18 bps	2.9%
Interroll	2.3%	(8.1%)	(3.4%)	6.0%	(9.5%)	3.6%	18.8%	18.5%	19.9%	135 bps	5.3%
Kardex	16.7%	28.5%	1.5%	(9.5%)	59.4%	10.8%	11.1%	13.8%	15.0%	126 bps	3.4%
Konecranes	(0.7%)	21.9%	(0.5%)	(7.9%)	72.4%	12.2%	8.7%	12.4%	13.9%	158 bps	1.3%
Tomra	(0.1%)	17.6%	(3.2%)	(13.9%)	12.6%	19.9%	15.7%	15.0%	18.6%	359 bps	10.8%
Packaging Equipment	8.4%	11.7%	0.3%	8.2%	(4.7%)	5.3%	20.3%	19.2%	20.4%	118 bps	4.2%
Krones	8.4%	15.9%	7.7%	51.2%	(4.7%)	12.5%	11.8%	9.7%	10.2%	43 bps	3.1%
Sealed Air	2.0%	(2.7%)	(1.5%)	8.2%	(7.9%)	4.5%	20.3%	19.2%	20.4%	118 bps	4.2%
SIG Combibloc	10.8%	11.7%	0.3%	(2.8%)	29.1%	5.3%	20.7%	23.9%	25.1%	119 bps	11.1%
Other Industrial Equipment	8.3%	5.9%	0.4%	0.9%	7.6%	7.0%	15.4%	16.2%	17.6%	103 bps	2.9%
Andritz	9.7%	18.8%	(3.9%)	9.4%	14.3%	6.5%	9.9%	9.5%	10.5%	103 bps	1.9%
DMG Mori	8.4%	N/M	N/A	36.6%	16.3%	N/A	10.3%	11.0%	N/A	N/M	N/M
Dürr	14.6%	10.9%	1.3%	(15.2%)	1.4%	32.4%	6.8%	6.2%	8.1%	190 bps	3.2%
Graco	7.8%	2.4%	0.7%	10.2%	6.1%	7.0%	29.7%	30.8%	32.7%	192 bps	5.6%
Hillenbrand	0.0%	7.1%	0.4%	2.3%	14.6%	7.3%	14.2%	15.2%	16.2%	103 bps	2.2%
Husqvarna	(0.4%)	2.2%	(9.3%)	(21.0%)	7.6%	8.4%	11.9%	12.5%	15.0%	245 bps	5.1%
Kadant	15.0%	5.9%	10.7%	17.8%	7.6%	12.6%	20.8%	21.1%	21.5%	37 bps	2.9%
Lincoln Electric	14.9%	6.3%	(2.8%)	3.7%	12.8%	1.9%	17.7%	18.8%	19.7%	91 bps	2.4%
Nordson	6.0%	2.3%	0.6%	(0.4%)	7.7%	1.9%	29.2%	30.8%	31.2%	41 bps	1.9%
OC Oerlikon	8.3%	1.7%	(14.6%)	(15.7%)	(21.1%)	60.1%	10.4%	8.1%	15.1%	705 bps	6.5%
Otis	(4.3%)	3.8%	2.9%	(0.8%)	6.6%	5.8%	16.7%	17.2%	17.6%	49 bps	1.0%
Sandvik	13.7%	16.7%	(4.6%)	(5.1%)	22.5%	(1.3%)	21.4%	22.4%	23.2%	79 bps	4.1%
Tools	7.3%	3.6%	0.6%	4.4%	5.4%	15.2%	14.0%	24.1%	26.0%	226 bps	2.2%
Enerpac	7.3%	3.6%	0.6%	4.2%	78.5%	8.8%	14.0%	24.1%	26.0%	197 bps	2.0%
Fortive	10.9%	4.1%	5.6%	22.0%	7.9%	15.2%	25.3%	26.2%	28.6%	238 bps	1.8%
Illinois Tool Works	10.2%	1.1%	1.8%	8.5%	5.4%	4.7%	26.6%	27.7%	28.5%	81 bps	2.1%
Makita	(5.5%)	(11.0%)	(9.3%)	(46.9%)	3.7%	19.3%	9.1%	10.6%	14.0%	335 bps	3.6%
Snap-on	5.2%	5.5%	(6.2%)	8.1%	7.9%	1.4%	27.5%	28.1%	30.4%	226 bps	2.2%
Stanley Black & Decker	10.9%	(6.9%)	(2.0%)	(38.0%)	(25.5%)	40.9%	9.0%	7.2%	10.4%	315 bps	2.8%
Techtronic Industries	0.4%	3.6%	6.7%	4.4%	(2.8%)	28.7%	10.8%	10.2%	12.3%	210 bps	4.1%
Mean	7.7%	6.4%	(0.6%)	1.9%	11.3%	13.6%	16.1%	16.8%	18.8%	181 bps	3.6%
Median	8.3%	4.2%	0.3%	4.3%	7.6%	8.8%	14.2%	15.4%	17.6%	135 bps	3.1%

Source: S&P Capital IQ as of 06/17/2024.

(1) 2024E EBITDA Margin compared to 2023A EBITDA Margin.

Individual Company Performance Relative to Expectations

Most companies beat estimates in Q1 2024, but performance was mixed across Industrial Equipment sub-sectors

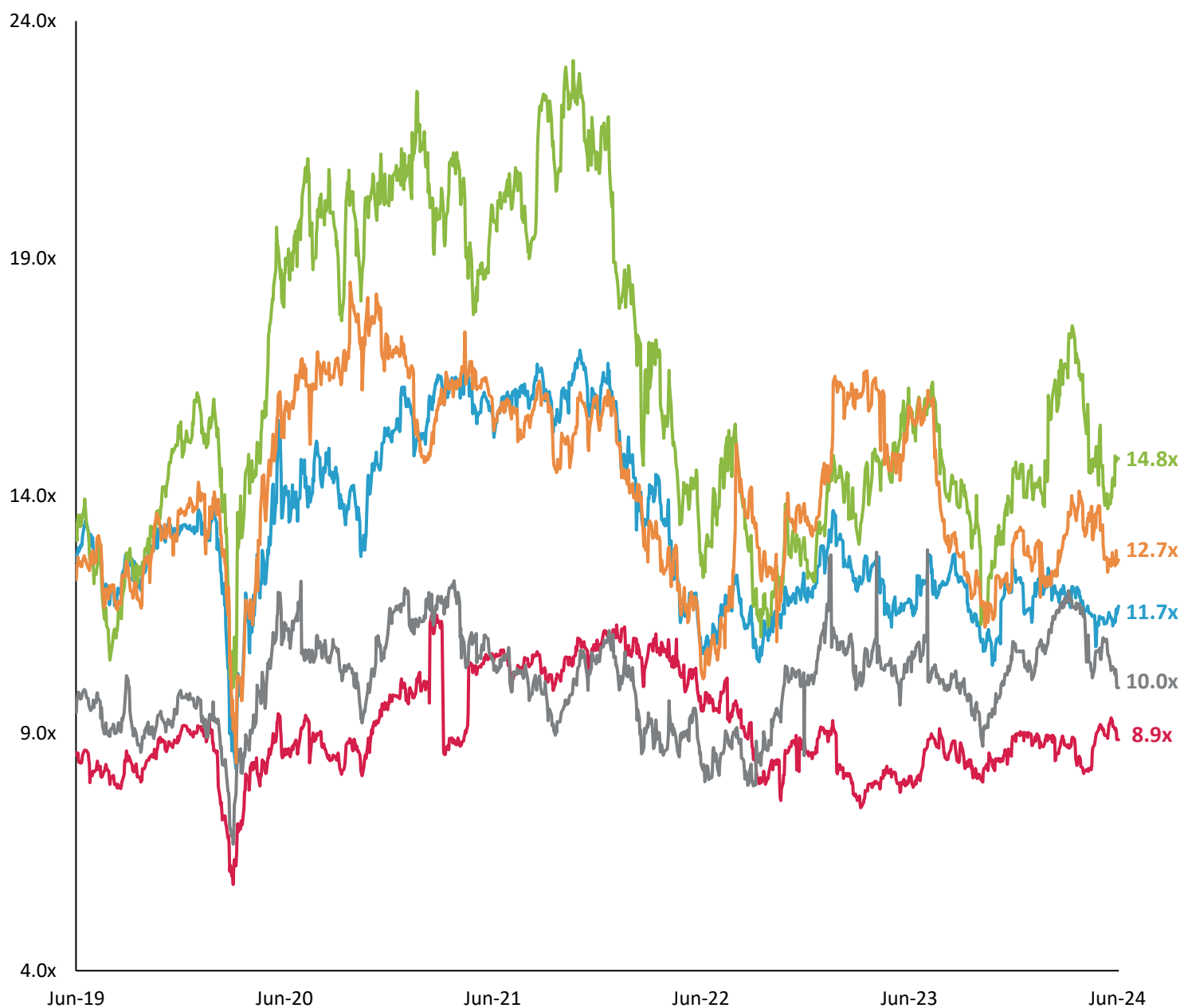
Company	Q1 2024 Estimate Beats / (Misses)		
	Revenue	EBITDA	EPS
Food Technology	(1.7%)	1.8%	(1.7%)
Alfa Laval	(6.5%)	(4.5%)	(2.6%)
Dover	2.9%	3.1%	3.7%
GEA	(2.5%)	2.0%	(1.7%)
John Bean Technologies	(0.8%)	1.8%	2.4%
Marel	2.9%	N/A	N/A
Middleby	(5.5%)	(8.4%)	(8.7%)
Material Handling Equipment	(0.4%)	(7.6%)	(2.0%)
Columbus McKinnon	(0.7%)	(7.6%)	(10.7%)
Daifuku	1.6%	N/A	13.4%
Interroll	N/A	N/A	N/A
Kardex	N/A	N/A	N/A
Konecranes	(6.7%)	8.2%	6.8%
Tomra	(0.2%)	(19.4%)	(75.6%)
Packaging Equipment	1.5%	8.3%	24.8%
Krones	(0.8%)	0.3%	2.5%
Sealed Air	3.8%	16.4%	47.2%
SIG Combibloc	N/A	N/A	N/A
Other Industrial Equipment	(2.5%)	0.5%	1.8%
Andritz	(2.8%)	(0.5%)	(0.9%)
DMG Mori	N/A	N/A	N/A
Dürr	1.7%	18.7%	26.5%
Graco	(7.9%)	(13.9%)	(12.2%)
Hillenbrand	(2.0%)	2.4%	1.3%
Husqvarna	(4.2%)	5.5%	9.5%
Kadant	1.4%	6.9%	21.4%
Lincoln Electric	(5.7%)	0.3%	2.8%
Nordson	(2.2%)	(0.1%)	0.9%
OC Oerlikon	N/A	N/A	N/A
Otis	(0.7%)	0.7%	2.3%
Sandvik	(5.0%)	(35.4%)	(17.1%)
Tools	(0.8%)	6.9%	3.4%
Enerpac	(1.9%)	6.9%	N/A
Fortive	(0.2%)	8.0%	5.1%
Illinois Tool Works	(1.4%)	11.9%	3.4%
Makita	11.7%	N/A	32.3%
Snap-on	(1.3%)	(1.1%)	1.9%
Stanley Black & Decker	0.9%	(7.7%)	1.8%
Techtronic Industries	N/A	N/A	N/A
Mean	(1.1%)	(0.2%)	2.1%
Median	(1.1%)	0.7%	2.4%

Industrial Equipment Valuation Dynamics

Current public market valuations are well off historical peak levels, but many are now more in-line with long-term, average levels

Median EV / NTM EBITDA

Food Technology			Material Handling Equipment			Packaging Equipment			Other Industrial Equipment			Tools		
Current	11.7x	▲	Current	14.8x	▲	Current	8.9x	▲	Current	10.0x	▲	Current	12.7x	▲
1-year	12.3x	(0.6x)	1-year	14.5x	0.3x	1-year	8.7x	0.2x	1-year	10.3x	(0.3x)	1-year	12.4x	0.3x
5-year	13.2x	(1.5x)	5-year	15.9x	(1.1x)	5-year	9.4x	(0.5x)	5-year	10.4x	(0.4x)	5-year	13.9x	(1.2x)



Source: S&P Capital IQ as of 06/17/2024.

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 are generally below long-term, normalized levels, but companies have recaptured value over the past year

EV / EBITDA Multiples

(EV / NTM EBITDA multiples for peer companies)



Source: S&P Capital IQ as of 06/17/2024.

Note: DMG Mori and Enerpac 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 13.5x 2023A EBITDA and 13.0x 2024E EBITDA

Company	Market Cap. (\$ m)	EV (\$ m)	EV / EBITDA		EV / EBIT		P / E		Net Debt / EBITDA
			2023A	2024E	2023A	2024E	2023A	2024E	2023A
Food Technology			14.5x	12.1x	19.0x	16.8x	22.5x	19.5x	1.4x
Alfa Laval	\$18,973	\$19,358	17.6x	15.3x	21.3x	18.0x	27.7x	24.7x	1.1x
Dover	25,448	27,644	15.9	14.9	19.5	18.4	21.1x	20.4	1.7
GEA	6,885	6,463	9.8	7.5	11.4	9.8	14.7x	14.5	(0.4)
John Bean Technologies	3,051	3,354	13.0	11.2	18.5	15.5	23.8x	18.7	0.8
Marel	2,663	3,493	18.6	13.1	33.8	20.7	60.0x	40.6	5.0
Middleby	7,301	8,824	10.3	9.7	12.0	11.6	17.4x	13.7	2.6
Material Handling Equipment			15.8x	15.1x	17.7x	17.2x	29.3x	26.5x	2.0x
Columbus McKinnon	\$1,301	\$1,483	9.6x	8.8x	13.3x	12.3x	22.0x	14.1x	3.5x
Daifuku	7,660	6,318	13.5	14.5	16.0	15.9	28.0x	25.6	N/A
Interroll	2,737	2,239	18.3	17.7	22.5	22.7	30.6x	36.8	N/A
Kardex	2,123	1,936	18.1	16.3	19.4	18.4	31.9x	27.4	N/A
Konecranes	4,713	4,948	9.1	8.1	10.4	9.9	12.9x	14.3	1.2
Tomra	4,018	4,106	18.8	15.7	33.3	27.1	37.6x	39.6	2.0
Packaging Equipment			9.2x	8.8x	11.8x	11.6x	16.1x	14.6x	3.7x
Krones	\$4,381	\$3,695	7.2x	6.4x	10.6x	9.2x	15.1x	14.6x	N/A
Sealed Air	5,647	9,728	9.2	8.8	11.8	11.6	17.2x	13.3	3.8x
SIG Combibloc	8,147	9,090	10.7	10.1	20.4	18.0	NM	23.2	3.6
Other Industrial Equipment			12.1x	10.7x	16.1x	15.2x	26.4x	21.3x	2.0x
Andritz	\$5,823	\$5,260	5.8x	5.4x	7.3x	7.1x	11.4x	10.0x	N/A
DMG Mori	3,726	3,633	N/A	N/A	N/A	14.6x	N/A	N/A	N/A
Dürr	1,861	2,112	6.7	5.1	9.3	7.4	9.6x	11.3	1.6x
Graco	14,119	12,975	19.2	17.9	21.6	20.1	28.6x	27.1	N/A
Hillenbrand	3,184	4,973	10.0	9.3	13.7	13.7	31.3x	12.9	4.6
Husqvarna	4,916	6,359	9.6	8.8	13.0	14.1	26.4x	17.6	2.5
Kadant	3,298	3,512	17.4	15.5	20.8	19.8	28.6x	28.1	1.2
Lincoln Electric	13,031	11,284	14.3	14.0	16.1	15.9	25.5x	23.7	1.1
Nordson	15,703	14,817	18.2	17.8	21.3	21.0	31.2x	26.3	2.0
OC Oerlikon	1,773	3,110	12.1	7.5	42.9	16.5	16.0x	21.3	4.2
Otis	39,328	45,898	18.8	17.8	20.5	19.0	27.0x	25.2	2.7
Sandvik	27,534	29,861	10.6	10.7	12.9	13.6	18.9x	18.4	1.8
Tools			17.4x	13.5x	19.3x	16.8x	26.1x	22.9x	1.2x
Enerpac	\$2,048	\$2,165	15.0x	15.0x	16.8x	16.8x	26.8x	20.3x	1.1x
Fortive	27,384	29,016	18.3	15.9	25.7	22.5	31.7x	20.4	2.2
Illinois Tool Works	74,328	78,670	17.6	16.8	19.3	18.4	25.4x	24.5	1.7
Makita	8,072	6,379	11.5	9.7	18.3	12.6	49.1x	23.9	(2.4)
Snap-on	14,752	14,323	10.0	9.8	10.6	10.5	15.7x	14.6	0.1
Stanley Black & Decker	14,063	20,842	18.3	13.0	33.5	15.3	NM	22.9	5.1
Techtronic Industries	26,565	24,282	17.4	13.5	21.7	19.0	22.4x	23.5	1.2
Mean			13.6x	12.2x	18.8x	15.8x	25.3x	21.6x	2.1x
Median			13.5x	13.0x	18.5x	15.9x	25.5x	21.3x	1.8x

Source: S&P Capital IQ as of 06/17/2024.

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



55+
Recent M&A
Transactions

>\$35bn
Transaction Value

10+
Equity Capital Market
Transactions

>\$5bn
Capital Raised

15+
Transactions with
International Party

Dedicated Industrial Equipment Team



Mike Barina
Managing Director



Mike Lindemann
Co-Head of Global Industrial
and Co-Head of Global M&A



Nick Sealy
Managing Director,
Global Industrials



Karl Burns
Vice President

Equity Research Coverage



Mig Dobre
Sr. Research Analyst,
Diversified Industrials
and Machinery



Robert Mason
Sr. Research Analyst,
Advanced Industrial
Equipment



Mike Halloran
Sr. Research Analyst,
Process Controls



- ✓ 15+ years of experience as a Diversified Industrial & Machinery research analyst
- ✓ 500+ research documents published over the last 12 months



- ✓ 15+ years of experience as an Advanced Industrial Equipment research analyst
- ✓ 300+ research documents published over the last 12 months



- ✓ 15+ years of experience as a Process Controls research analyst
- ✓ 400+ research documents published over the last 12 months

Note: Transactions since 2010.

Baird's Recent Industrial Equipment Experience



Further food processing equipment for protein end markets



Proprietary connector systems and tools for electrical utilities



Liquid cooling technologies for data center applications



Electrical connectors, tools, test instruments and cable management



Warehouse design, automation and integration solutions



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



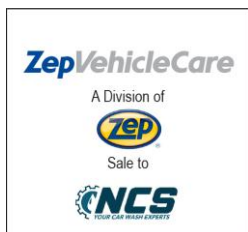
Food processing equipment and aftermarket solutions



Process automation solutions and components



Inventory vending and dispensing solutions



Commercial car wash chemical and water reclamation systems



Air management, thermal, HVAC and IAQ solutions



Industrial, precision and sanitary conveyance solutions

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