



BAIRD

INDUSTRIAL EQUIPMENT SECTOR UPDATE

September 2024

Baird's Industrial Equipment Update

The Industrial Equipment subsector continues to see signs of improvement through 2024, albeit with increasing macro uncertainty

Industrial Equipment Update

■ Macroeconomic Environment

- The unwinding of the Japanese Yen carry trade contributed to sizeable global financial market volatility in late July
- The Fed has signaled it is preparing to cut interest rates and to adjust policy going into 2H24, with up to 100 bps of rate cuts projected through 2024
- PPI data reports show finished goods pricing is moderating, component inflation is still prevalent, but input costs are declining from peaks
- Downward revision in employment data and recent lower than expected industrial PMI metrics resulted in uncertainty about the direction of the industrial economy into 2025

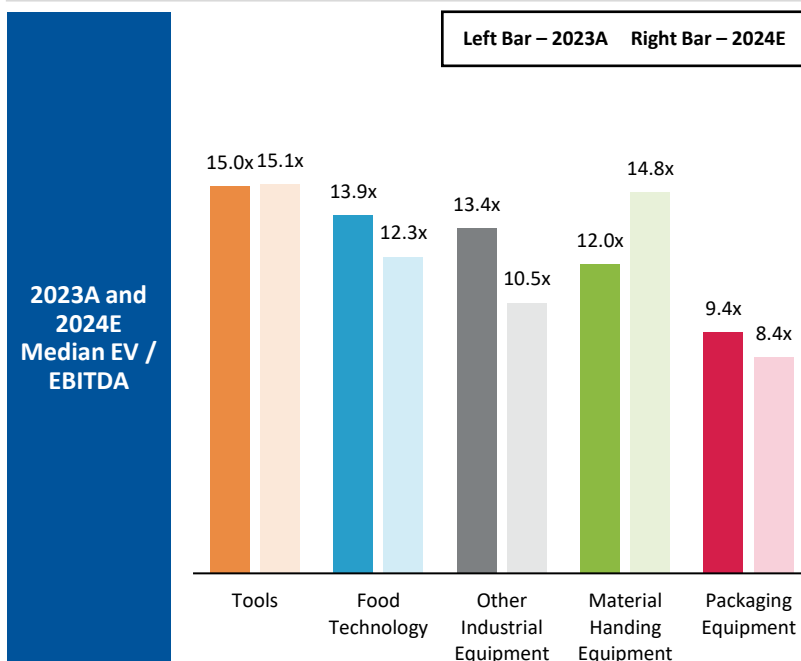
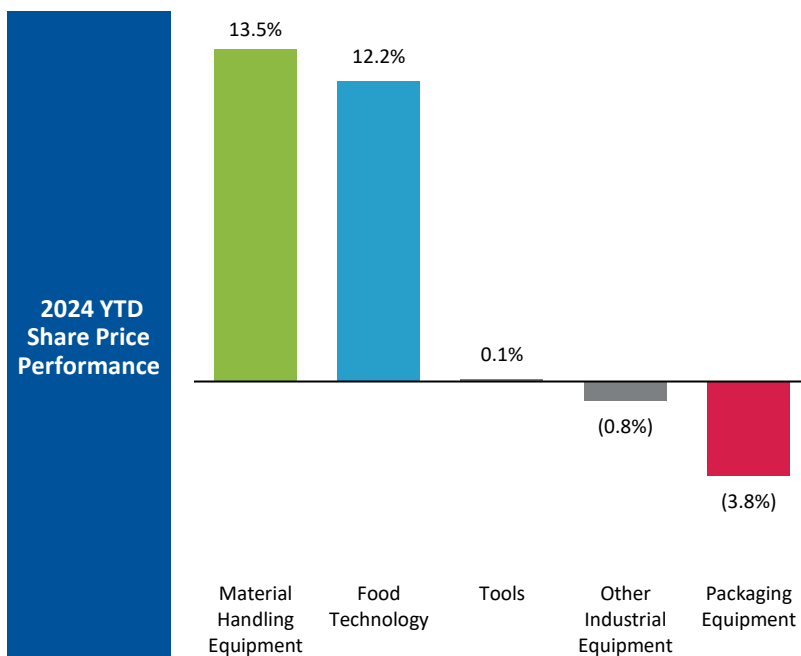
– Public Market Backdrop

- Recent volatility spike in equity and fixed income markets – while markets have generally recovered, all eyes are on fed policy moving forward
- Investors continue to favor Material Handling and Food Technology companies due to resilient demand profiles and broad market application across sectors
- Automation continues to be a key secular tailwind driving equipment sub-sectors, with significant pent-up capex still needing to be deployed to meet consumption
- Digitalization and IoT continue to be a focus as companies seek added efficiency and connectivity

■ M&A Environment

- M&A market activity continues to be strong in 2024 relative to 2023 and are normalizing near long-term averages
- Credit market continues to provide attractive financing opportunities for M&A in 2024, with fed easing providing additional support

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*



“The rebound in order intake is a key positive (+13% sequentially) signaling a potential turnaround in the cyclically challenged poultry vertical (which was characterized as 15-20% off normal levels), momentum appears to have continued into 3Q also supported by growth in Pharma and Fruits and Vegetables; guidance implies solid margin traction in 2H24 (additional volume / backlog conversion should help). Key items going forward will be the pace of order intake given higher pace of shipments out of backlog, as well as progress on Marel acquisition.”

- Research note on 07/31/24



“Stock is rightfully outperforming (+6.5% vs. +0.3% S&P) after a solid beat and encouraging order trajectory/commentary (supports estimate acceleration), paired with attractive portfolio moves (with more to come). The favorable setup we saw entering 2024 remains in place, driven by differentiated exposure points, 2H23 management of channel inventory, growth platforms, and broad-based margin acceleration. As a result, we believe estimate acceleration will continue, which paired with portfolio moves builds a strong equation for relative stock performance. No change in positive outlook.”

- Research note on 07/25/24



“2Q sales and EBITDA mostly matched consensus (organic sales -4.8%, EBITDA margins -20 bps year/year, EPS \$2.39 vs. \$2.31 consensus). Encouragingly, Q2 orders were the strongest in two years for each segment (consolidated orders +9% sequentially, +15% year/year). Piecing together qualitative segment guidance implies that consolidated organic sales are expected to increase LSD% in 3Q and MSD% in 4Q following six quarters of declines. With trends turning positive and valuation near the low end of historical range (~10x EV./EBITDA), we continue to recommend MIDD for patient investors.”

- Research note on 08/01/24



“Industrial orders came in much better than we expected and continued margin expansion in each segment remains impressive. PH continues to demonstrate that it has successfully shifted its business towards verticals with lower cyclicality; this is not just a function of higher Aerospace mix (which continues to grow +HSD-DD%) but even the Industrial portfolio is far more stable than in prior downcycles as Filtration/Materials stability counterbalanced Motion/Flow declines. We believe stable topline and expanding FCF margin will lead to continued stock re-rating and see potential towards \$1000/share 2+ years out.”

- Research note on 08/08/24



“Segment organic growth was +1%, besting our -1% estimate, led by growth at Dewalt and Outdoor Power. Volumes were +2%, returning to positive territory for the first time since late 2021. NA POS was said to be up modestly vs. the prior year, reflecting stronger OPE growth and recaptured Dewalt cordless promotions as service levels have improved. POS appears to have moderated some as quarter progressed, reflecting seasonal dynamics within Outdoor Power (ending quarter close to ~flattish), with management's H2 Tools organic growth guidance relatively unchanged.”

- Research note on 07/30/24

* 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.

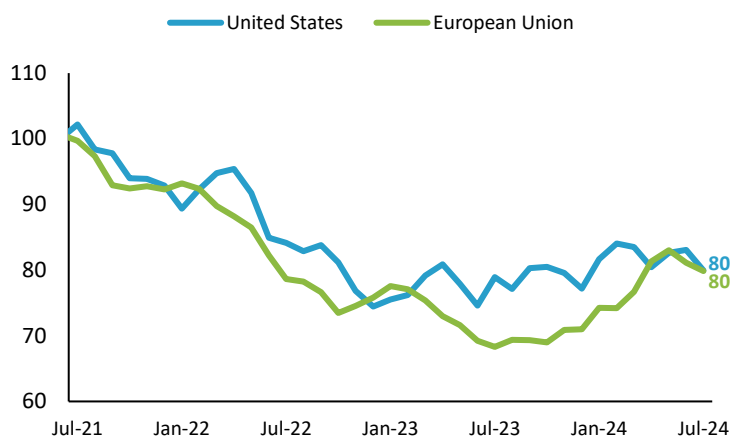
Note: The above excerpts from Baird Equity Research reports were from the current quarterly earnings reports as of the preparation of this report but may not be the most current reports available.

Industrial Equipment Market Backdrop

The global production environment has demonstrated slowing growth, signaling action to recharge activity

Manufacturing Purchasing Manager's Index (1)

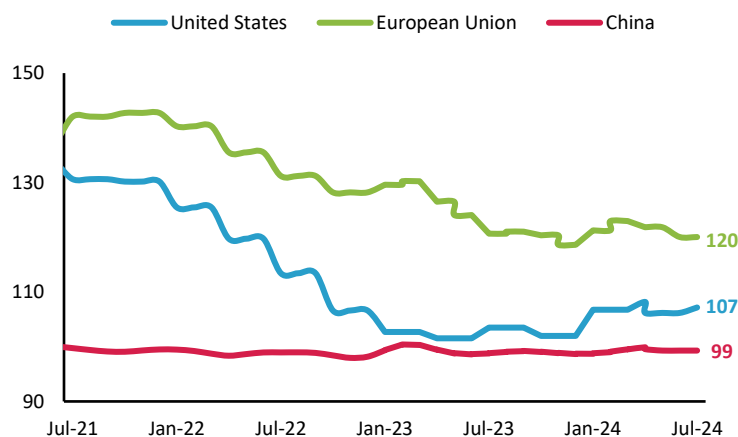
(Index equals 100)



Purchasing manager sentiment continues to decline through 2Q24 in U.S. and Europe as manufacturing is impacted by declines in new orders and inventories

Business Manager Confidence (1)

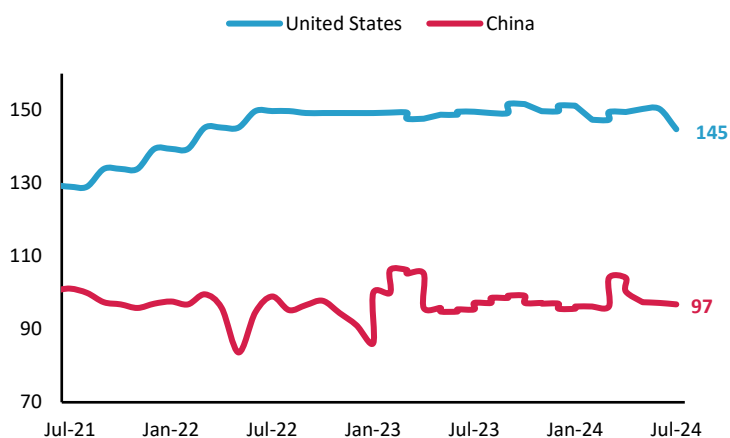
(Index equals 100)



Business Manager Confidence continues to remain low, albeit with a slight uptick in U.S. confidence in late 2Q24

Manufacturing New Orders (1)

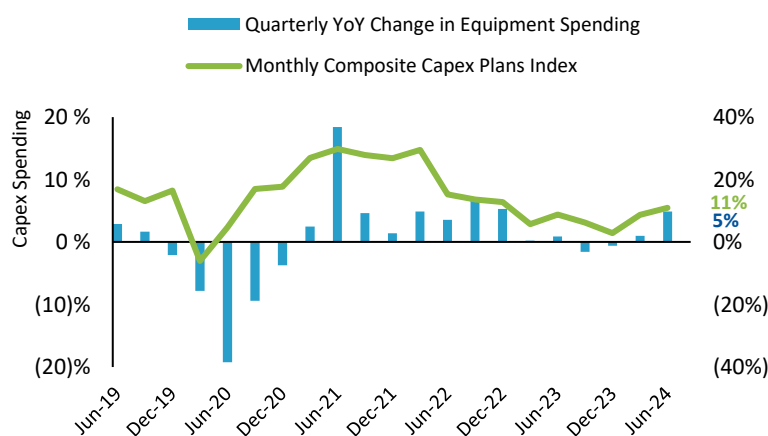
(Index equals 100)



New orders took a slight downturn in 2Q24 as distributors emphasize destocking existing inventory before new purchases

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

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



Business investment increased in 2Q24, as monthly composite capex spend plans point to higher expected investment

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 08/23/2024.

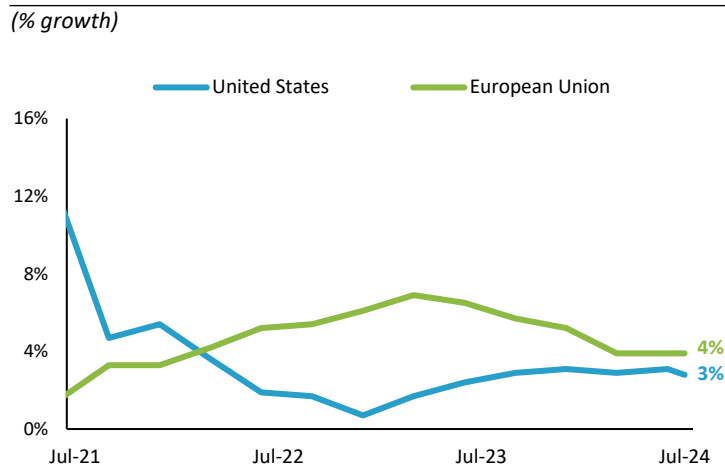
(1) Data indexed to 100 for comparison purposes.
 (2) Corresponding data not available for China and Europe.
 (3) Survey from business managers across the U.S. on their plans for capex spending indexed for comparison purposes.

Industrial Equipment Market Backdrop (Cont.)

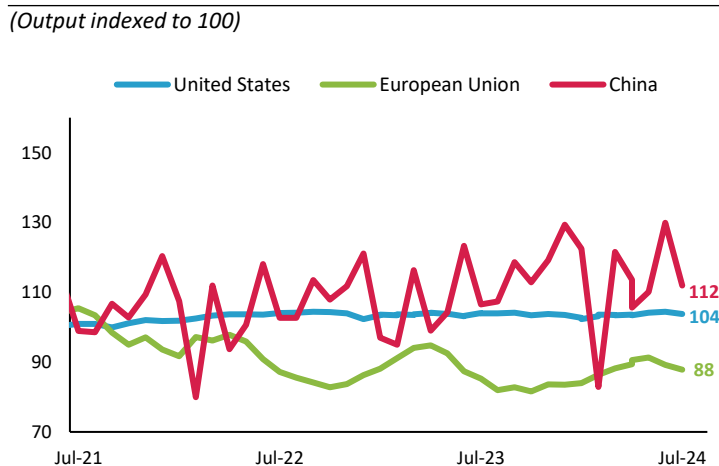
Recent data sheds light on the current production environment in key global markets

Selected Key Indicators

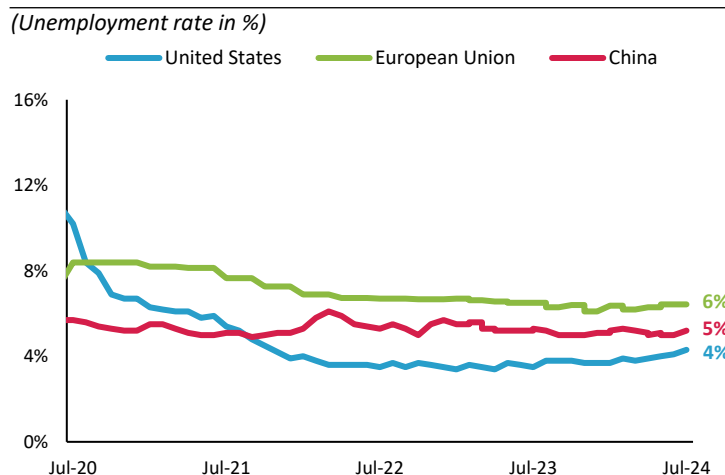
GDP Growth



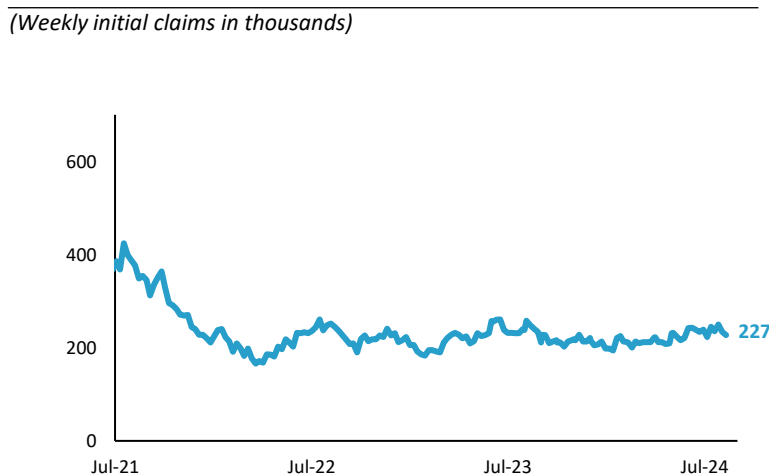
Industrial Production Index (1)



Unemployment Rate



U.S. Jobless Claims (2)



In The News

Recent Headlines & Notable Events

- **8/19:** Investors pile back into equities amid ‘full recovery’ in market confidence ([LINK](#))
- **8/14:** US Inflation Falls to 2.9% in July ([LINK](#))
- **8/20:** AI Boom Fuels Earnings Growth For Europe’s Industrial Giants ([LINK](#))
- **8/22:** US Manufacturing Activity Contracts at Fastest Pace This Year ([LINK](#))

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.

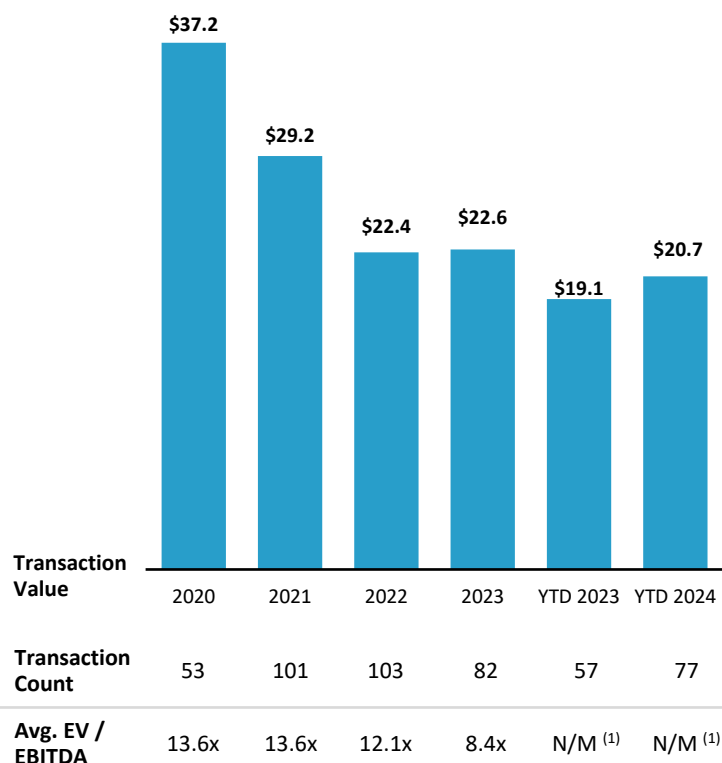
M&A and Financing Market Update

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)

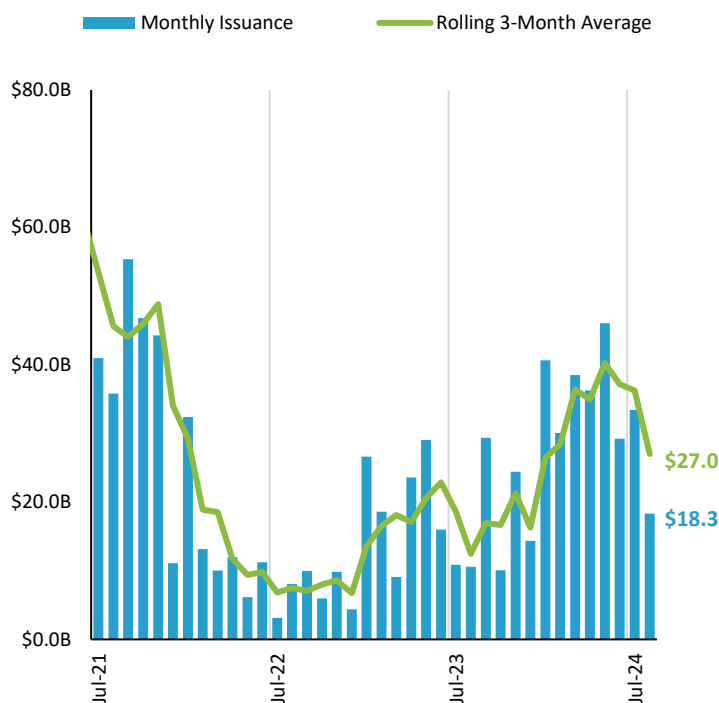


- Positive market sentiment is reflected in recent growth for deal launches and pitch activity
- Cash-rich strategics and sponsors backed by record dry powder are positioned to continue strong M&A momentum if macro conditions cooperate
- Limited supply of quality assets has resulted in a market difference in process strength and demand for higher quality businesses
- Sponsors have the means to capture large, high-quality platform targets at premium valuations due to healthier financing markets

Financing Market Update

Global High-Yield Loan Volume

(monthly; \$ in billions)



- Credit remains available and will continue to broaden through 2H24 as the Fed prepares to cut rates and ease financial markets
- Conditions in the debt markets have improved since the start of 2024, led by tighter pricing
- Intensified competition between private credit and the broadly syndicated market for new financings benefits borrowers through lower pricing and concessions on non-economic terms across markets
- Refinancing continues to be a key driver of volume in 2Q24 and is at a much higher level compared to 2023 refinancing activity

Source: S&P Capital IQ, S&P LCD and Dealogic as of 8/23/2024.
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	Acquirer	Target Description	Enterprise	EV /	
				Value	Sales	EBITDA
8/23/2024	T-Tek	Duravant	Manufacturer of high-speed packaging machinery and systems solutions such as palletizers, depalletizers, conveyors and custom automated lines for blue chip producers of packaged food, beverage and consumer products.	N/A	N/A	N/A
7/16/2024	Robot-Coupe	Aradian Group	Premium benchtop equipment for professional use	N/A	N/A	N/A
7/16/2024	Magmix	Aradian Group	Manufacturer of food preparation equipment such as food processors, blenders, juicers, and coffee machines	N/A	N/A	N/A
6/21/2024	Descon Integrated Conveyor Solutions	Pacteon Corporation	Descon Integrated Conveyor Solutions manufactures packaging equipment for the food and beverage industry	N/A	N/A	N/A
6/17/2024	Mol Belting Systems	Belt Power LLC	Mol Belting Systems Inc is a manufacturer, fabricator and wholesaler of process conveyor belting for various industries	N/A	N/A	N/A
6/10/2024	Trachte, LLC	nVent (NYSE: NVT)	Leading provider of easy-deployment, application-engineered protection and control buildings	\$695	2.8x	12.0x
6/6/2024	Continental Global Material Handling LLC	Precision, Inc.	Designs and distributes conveyor equipment. Its products include conveyor components, conveyor systems, HAC systems, idlers and other conveyor solutions.	N/A	N/A	N/A
6/3/2024	Dynamic Sealing Technologies	Kadant, Inc. (NYSE: KAI)	Dynamic Sealing Technologies, Inc. engages in the design, manufacture, and integration of rotary unions and swivel joints.	\$55	2.2x	N/A
5/31/2024	Copeland (Formerly Emerson Climate Technologies)	Blackstone (NYSE: BX)	Global provider of climate solutions, combining category leading brands in compression, controls, software and monitoring for heating, cooling and refrigeration	\$3,500	N/A	N/A
5/29/2024	Hexagon Ragasco AS	Worthington Industries Inc. (NYSE: WOR)	Hexagon Ragasco AS manufactures composite LPG cylinders for consumers and businesses worldwide	\$99	1.6x	7.8x
5/22/2024	SEI Industries	TransDigm Group Incorporated (NYSE: TDGT)	SEI Industries Ltd. engages in the design, engineering, and manufacture of fabric based industrial equipment primarily in the aerial firefighting equipment space	\$170	9.1x	N/A
4/22/2024	Nothum Food Processing Systems	Fortifi Food Processing Solutions	Provider of of batter, tempura, breading and frying lines primarily for further protein processing applications	N/A	N/A	N/A
4/1/2024	Redviking Group	Lincoln Electric (NASDAQ: LECO)	Specializes in the development and integration of autonomous guided vehicles and mobile robots, dynamic test systems, and manufacturing software	\$110	N/A	N/A
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	Sofiac	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	6S Equity	Manufacturer of specialty refrigeration and cooking appliances	N/A	N/A	7.5
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	Aradian	Manufactures electric chain hoists and control systems for a variety of demanding applications	N/A	N/A	N/A

Average	6.7x	13.3x
Median	4.4x	12.0x

Note: Dollars in millions.

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

Industrial Equipment Share Price Evolution

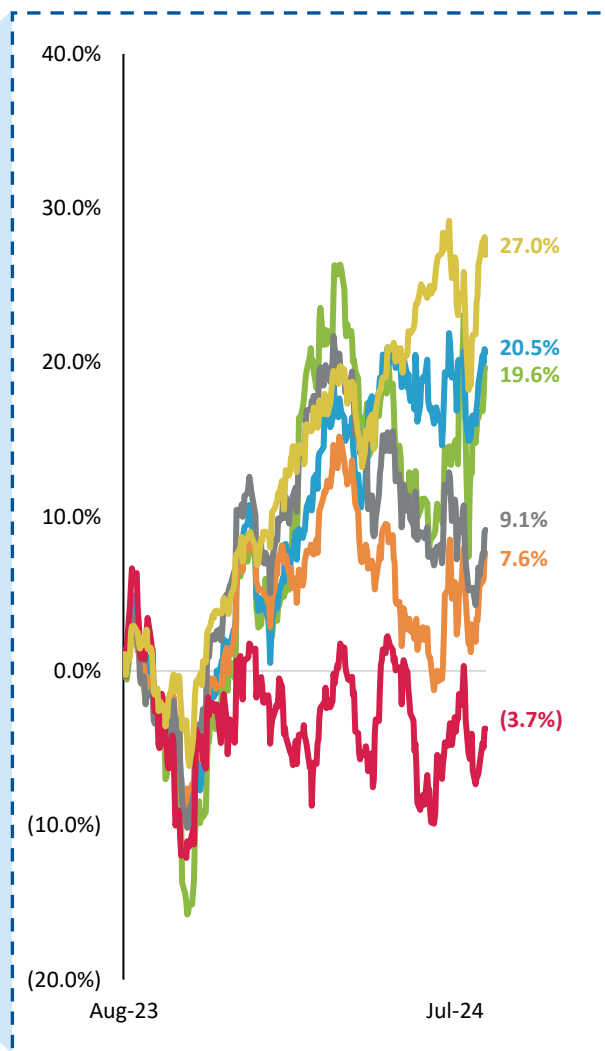
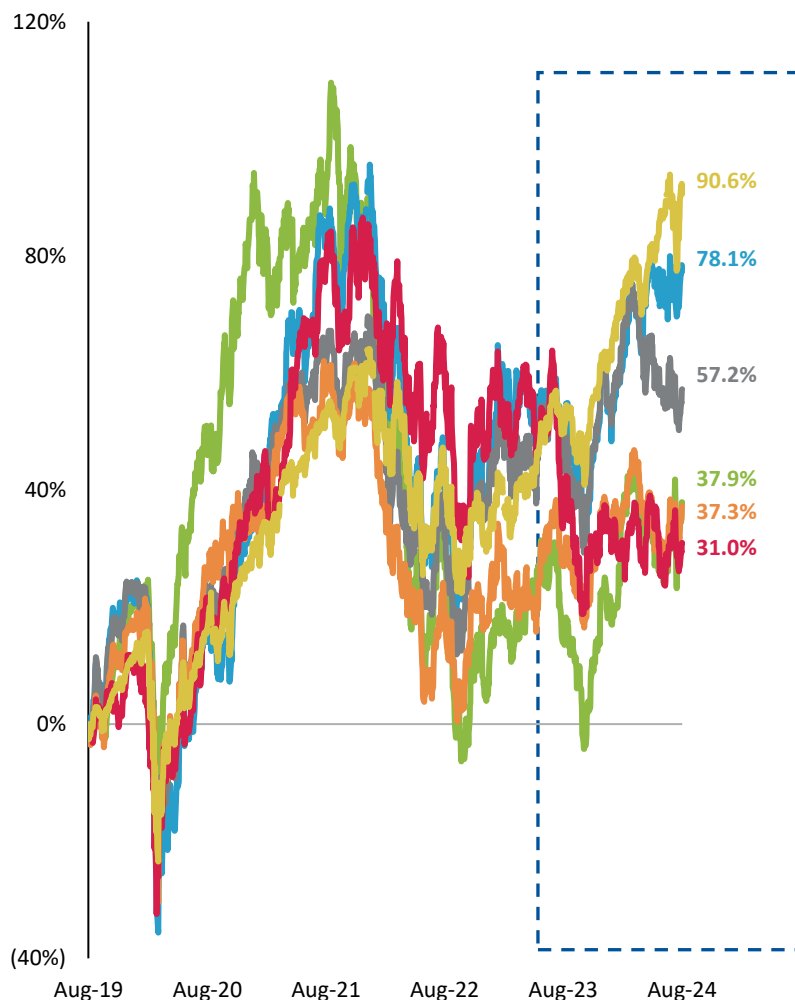
Industrial Equipment stocks have picked up momentum in 2024, but are underperforming the broader market

Share Price Performance

Food Technology		Material Handling Equipment		Packaging Equipment		Other Industrial Equipment		Tools		S&P 500	
YTD	12.2%	YTD	13.5%	YTD	(3.8%)	YTD	(0.8%)	YTD	0.1%	YTD	17.5%
1-Year	20.5%	1-Year	19.6%	1-Year	(3.7%)	1-Year	9.1%	1-Year	7.6%	1-Year	27.0%
5-Year	78.1%	5-Year	37.9%	5-Year	31.0%	5-Year	57.2%	5-Year	37.3%	5-Year	90.6%

5-Year Share Price Trends

Last 12 Months Share Price Trends



Source: S&P Capital IQ as of 08/23/2024.

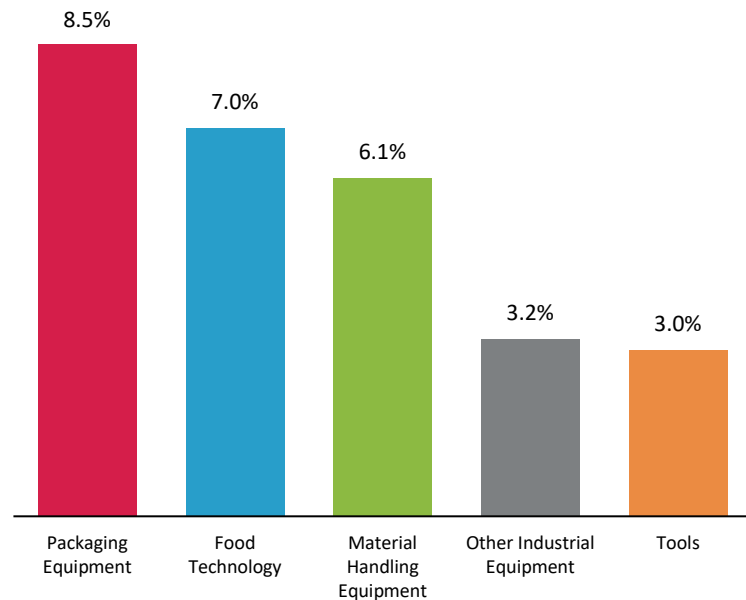
Note: Indices calculated as an unweighted average. See page 9 for index constituents. Shading in table corresponds to categories in the charts below.

Sector Financial Metrics Snapshot

Summary of key financial metrics across the Industrial Equipment sector

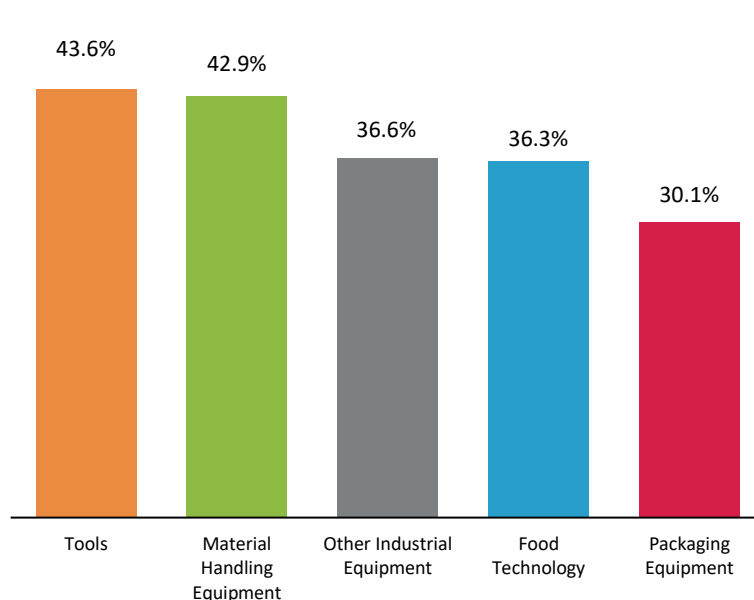
3-Year Revenue CAGR

(Median CY2021A - CY2024E revenue CAGR for peer groups)



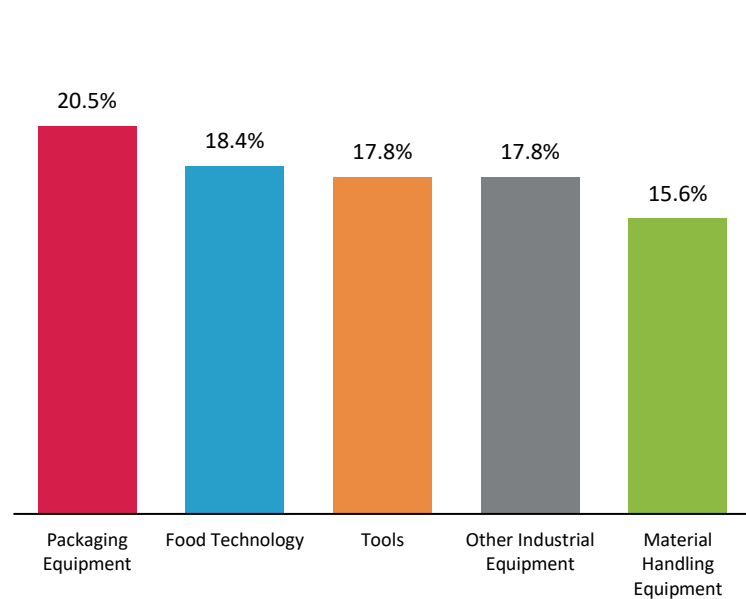
Gross Margin

(Median CY2024E gross margin for peer groups)



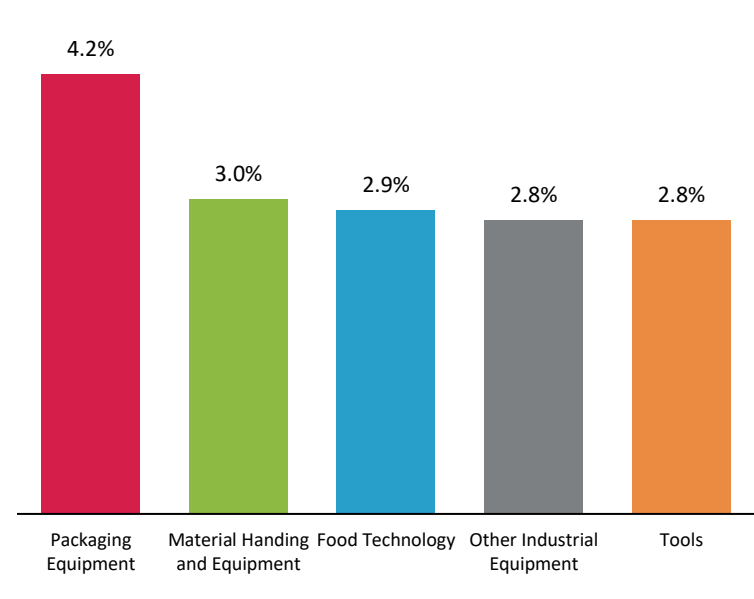
EBITDA Margin

(Median CY2024E EBITDA margin for peer groups)



Capex as a % of Sales

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



EBIT Margin

10.3% 14.4% 15.0% 14.0% 11.0%

OCF Conversion ⁽¹⁾

65.2% 79.8% 84.2% 82.9% 92.3%

Source: S&P Capital IQ as of 08/23/2024.

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

2024 has demonstrated mixed results from a revenue perspective, but continued margin expansion relative to 2023

Company	Revenue Growth			EBITDA Growth			EBITDA Margin			Expansion / Contraction ⁽¹⁾	'24E Capex % of Sales
	2023A	2024E	2025P	2023A	2024E	2025P	2023A	2024E	2025P		
Food Technology	4.5%	1.7%	4.1%	5.9%	17.2%	6.9%	16.5%	18.4%	18.9%	55 bps	2.9%
Alfa Laval	26.4%	6.1%	6.3%	27.1%	17.3%	9.5%	17.4%	19.3%	19.8%	57 bps	3.3%
Dover	(0.8%)	2.8%	1.4%	0.7%	7.4%	4.0%	20.6%	21.5%	22.0%	54 bps	1.9%
GEA	7.6%	0.5%	3.0%	(1.5%)	35.9%	3.9%	11.1%	15.0%	15.1%	13 bps	4.8%
John Bean Technologies	4.9%	3.7%	4.7%	15.7%	17.1%	7.8%	15.5%	17.5%	18.1%	52 bps	2.5%
Marel	4.2%	(0.9%)	5.4%	7.0%	34.0%	22.7%	9.9%	13.4%	15.5%	218 bps	3.5%
Middleby	0.1%	(1.3%)	3.4%	4.8%	3.5%	6.0%	21.3%	22.3%	22.9%	55 bps	1.7%
Material Handling Equipment	12.3%	0.7%	5.3%	12.6%	12.7%	10.4%	14.4%	15.6%	16.3%	69 bps	3.0%
Columbus McKinnon	7.1%	1.6%	4.8%	12.6%	9.6%	10.3%	15.0%	16.2%	17.1%	85 bps	2.7%
Daifuku	(2.4%)	(0.9%)	5.8%	(7.1%)	6.7%	10.5%	10.9%	11.7%	12.3%	52 bps	2.9%
Interroll	(8.1%)	(3.6%)	11.3%	(9.5%)	(1.1%)	17.6%	18.5%	19.0%	20.1%	106 bps	3.7%
Kardex	28.5%	7.6%	4.7%	59.4%	15.8%	7.0%	13.8%	14.8%	15.2%	33 bps	3.1%
Konecranes	21.9%	4.0%	1.7%	72.4%	26.4%	4.9%	12.4%	15.0%	15.5%	48 bps	1.3%
Tomra	17.6%	(0.3%)	12.1%	12.6%	22.7%	28.1%	15.0%	18.5%	21.1%	263 bps	9.8%
Packaging Equipment	11.7%	2.9%	4.9%	28.4%	4.9%	8.7%	19.2%	20.5%	20.9%	63 bps	4.2%
Krones	15.9%	11.3%	8.3%	28.4%	16.8%	15.0%	9.7%	10.2%	10.8%	63 bps	3.6%
Sealed Air	(2.7%)	(1.7%)	1.5%	(7.9%)	4.7%	3.5%	19.2%	20.5%	20.9%	39 bps	4.2%
SIG Combibloc	11.7%	2.9%	4.9%	29.1%	4.9%	8.7%	23.9%	24.4%	25.3%	90 bps	10.9%
Other Industrial Equipment	6.1%	(2.0%)	4.5%	7.6%	4.6%	8.9%	16.2%	17.8%	18.3%	52 bps	2.8%
Andritz	18.8%	(0.5%)	2.6%	14.3%	11.2%	4.7%	9.5%	10.6%	10.8%	21 bps	2.0%
DMG Mori	9.3%	N/A	N/A	58.8%	N/A	N/A	11.0%	N/A	N/A	N/A	N/A
Dürr	10.9%	4.5%	2.7%	(18.8%)	35.9%	14.2%	6.2%	8.0%	8.9%	89 bps	3.5%
Graco	2.4%	(2.0%)	4.5%	6.1%	4.5%	6.2%	30.8%	32.9%	33.4%	52 bps	5.6%
Hillenbrand	7.1%	(5.0%)	0.2%	14.6%	(0.8%)	0.2%	15.2%	15.8%	15.8%	(0 bps)	1.9%
Husqvarna	2.2%	(9.7%)	6.2%	7.6%	4.6%	12.3%	12.5%	14.5%	15.4%	84 bps	5.0%
Kadant	5.9%	10.0%	4.1%	7.6%	12.7%	5.8%	21.1%	21.6%	22.0%	35 bps	2.8%
Lincoln Electric	6.3%	(3.3%)	5.7%	12.8%	(0.7%)	8.9%	18.8%	19.3%	19.9%	58 bps	2.3%
Nordson	2.3%	3.0%	7.7%	7.7%	3.7%	8.9%	30.8%	31.0%	31.3%	33 bps	2.3%
OC Oerlikon	1.7%	(11.5%)	7.4%	(21.1%)	68.2%	12.5%	8.1%	15.3%	16.1%	74 bps	7.1%
Otis	3.8%	1.0%	4.0%	6.6%	5.0%	6.8%	17.2%	17.8%	18.3%	48 bps	1.0%
Sandvik	16.7%	(3.7%)	5.1%	22.5%	(1.4%)	12.0%	22.4%	22.9%	24.5%	152 bps	4.1%
Tools	6.1%	(2.0%)	4.5%	7.6%	4.6%	8.9%	16.2%	17.8%	18.3%	52 bps	2.8%
Enerpac	3.6%	(1.7%)	N/A	78.5%	4.8%	N/A	24.1%	25.7%	N/A	N/A	2.0%
Fortive	4.1%	3.6%	5.6%	7.9%	13.3%	7.7%	26.2%	28.6%	29.2%	56 bps	1.8%
Illinois Tool Works	1.1%	(0.3%)	3.6%	5.4%	4.3%	3.0%	27.7%	29.0%	28.8%	(18 bps)	2.2%
Makita	(11.0%)	(0.3%)	3.2%	3.7%	31.9%	10.0%	10.6%	14.0%	15.0%	93 bps	3.3%
Snap-on	5.5%	(7.3%)	3.5%	7.9%	0.1%	2.8%	28.1%	30.4%	30.2%	(20 bps)	2.1%
Stanley Black & Decker	(6.9%)	(2.4%)	3.3%	(25.5%)	39.5%	23.2%	7.2%	10.3%	12.3%	199 bps	2.7%
Techtronic Industries	3.6%	6.7%	9.0%	(2.8%)	28.1%	12.6%	10.2%	12.2%	12.6%	40 bps	3.7%
Mean	6.5%	0.4%	4.9%	12.9%	14.8%	9.7%	16.8%	18.8%	19.3%	70 bps	3.5%
Median	4.5%	(0.3%)	4.7%	7.6%	9.6%	8.8%	15.3%	17.8%	18.2%	55 bps	2.9%

Source: S&P Capital IQ as of 08/23/2024.

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

Individual Company Performance Relative to Expectations

Earnings performance continues to mixed across Industrial Equipment subsectors

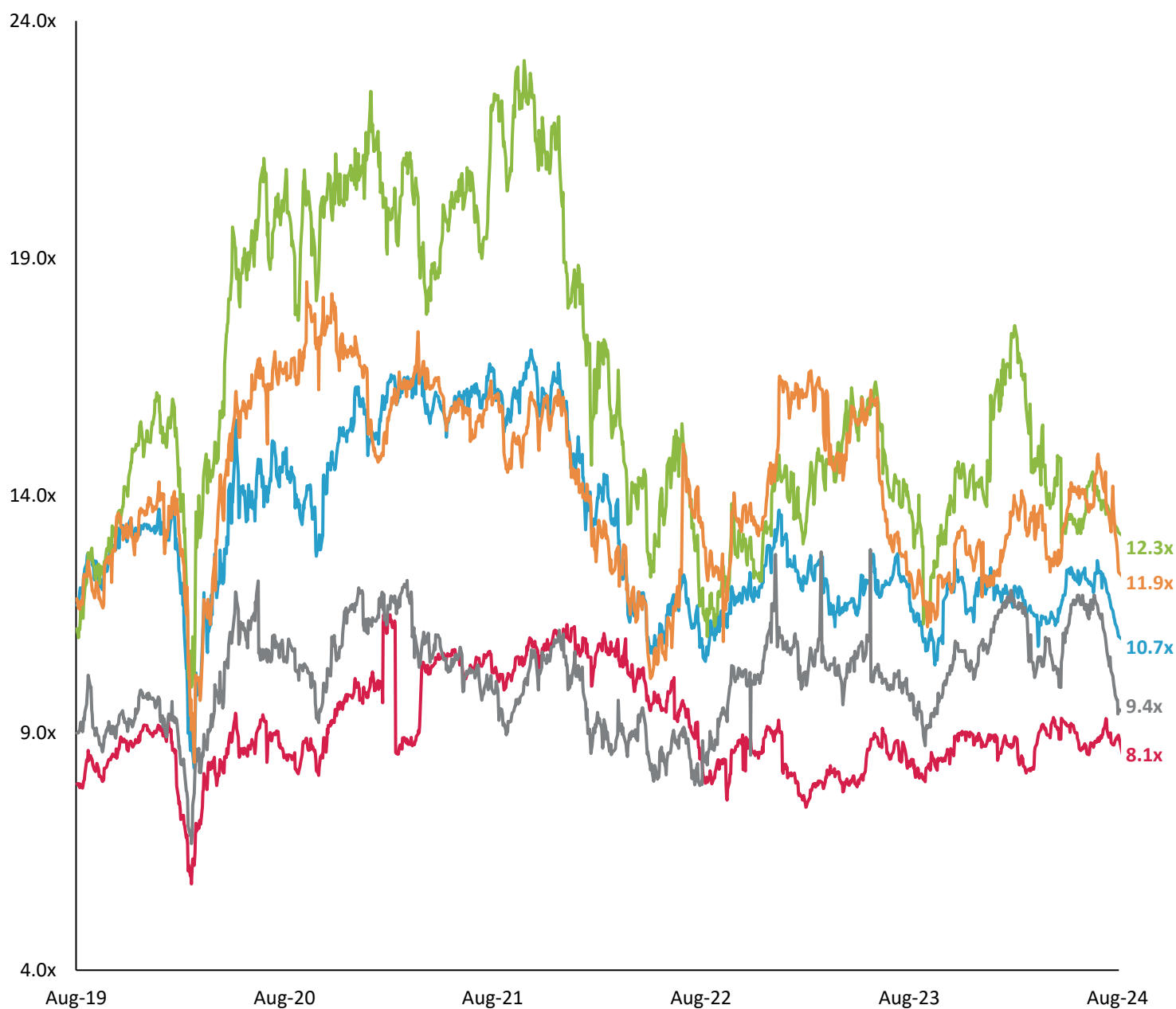
Company	Q2 2024 Estimate Beats / (Misses)		
	Revenue	EBITDA	EPS
Food Technology	0.7%	0.4%	(1.5%)
Alfa Laval	1.3%	0.3%	(14.5%)
Dover	1.4%	4.0%	6.8%
GEA	(0.5%)	3.7%	(1.5%)
John Bean Technologies	(7.0%)	(12.5%)	(16.0%)
Marel	1.3%	N/A	N/A
Middleby	0.0%	0.4%	3.9%
Material Handling Equipment	4.2%	11.8%	14.7%
Columbus McKinnon	(0.6%)	1.8%	1.6%
Daifuku	1.6%	N/A	13.4%
Interroll	N/A	N/A	N/A
Kardex	N/A	N/A	N/A
Konecranes	6.8%	25.8%	45.5%
Tomra	24.0%	11.8%	16.0%
Packaging Equipment	1.6%	5.6%	16.7%
Krones	1.2%	1.9%	3.8%
Sealed Air	2.9%	9.6%	29.7%
SIG Combibloc	1.6%	5.6%	N/A
Other Industrial Equipment	(1.2%)	(0.4%)	1.7%
Andritz	(1.9%)	6.1%	(1.6%)
DMG Mori	N/A	N/A	N/A
Dürr	(0.4%)	(8.6%)	(16.4%)
Graco	(1.6%)	(0.6%)	1.3%
Hillenbrand	(3.9%)	2.5%	3.7%
Husqvarna	(6.8%)	(10.2%)	(20.1%)
Kadant	4.3%	9.6%	15.6%
Lincoln Electric	0.3%	(1.3%)	2.2%
Nordson	0.8%	2.2%	3.0%
OC Oerlikon	N/A	N/A	N/A
Otis	(3.4%)	(0.3%)	2.9%
Sandvik	(0.7%)	(3.0%)	(10.7%)
Tools	(1.1%)	2.0%	2.8%
Enerpac	(1.7%)	(0.8%)	N/A
Fortive	(0.9%)	34.0%	1.1%
Illinois Tool Works	(1.3%)	2.0%	2.8%
Makita	3.6%	N/A	11.2%
Snap-on	(1.5%)	1.5%	(0.2%)
Stanley Black & Decker	0.2%	3.9%	29.8%
Techtronic Industries	N/A	N/A	N/A
Mean	0.7%	3.4%	4.4%
Median	0.0%	2.0%	2.9%

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	10.7x	▲	Current	12.3x	▲	Current	8.1x	▲	Current	9.4x	▲	Current	11.9x	▲
1-year	11.9x	(1.2x)	1-year	14.0x	(1.7x)	1-year	8.8x	(0.7x)	1-year	10.7x	(1.3x)	1-year	13.0x	(1.1x)
5-year	14.4x	(3.7x)	5-year	17.9x	(5.6x)	5-year	9.5x	(1.4x)	5-year	10.3x	(0.9x)	5-year	14.7x	(2.8x)



Source: S&P Capital IQ as of 08/23/2024.

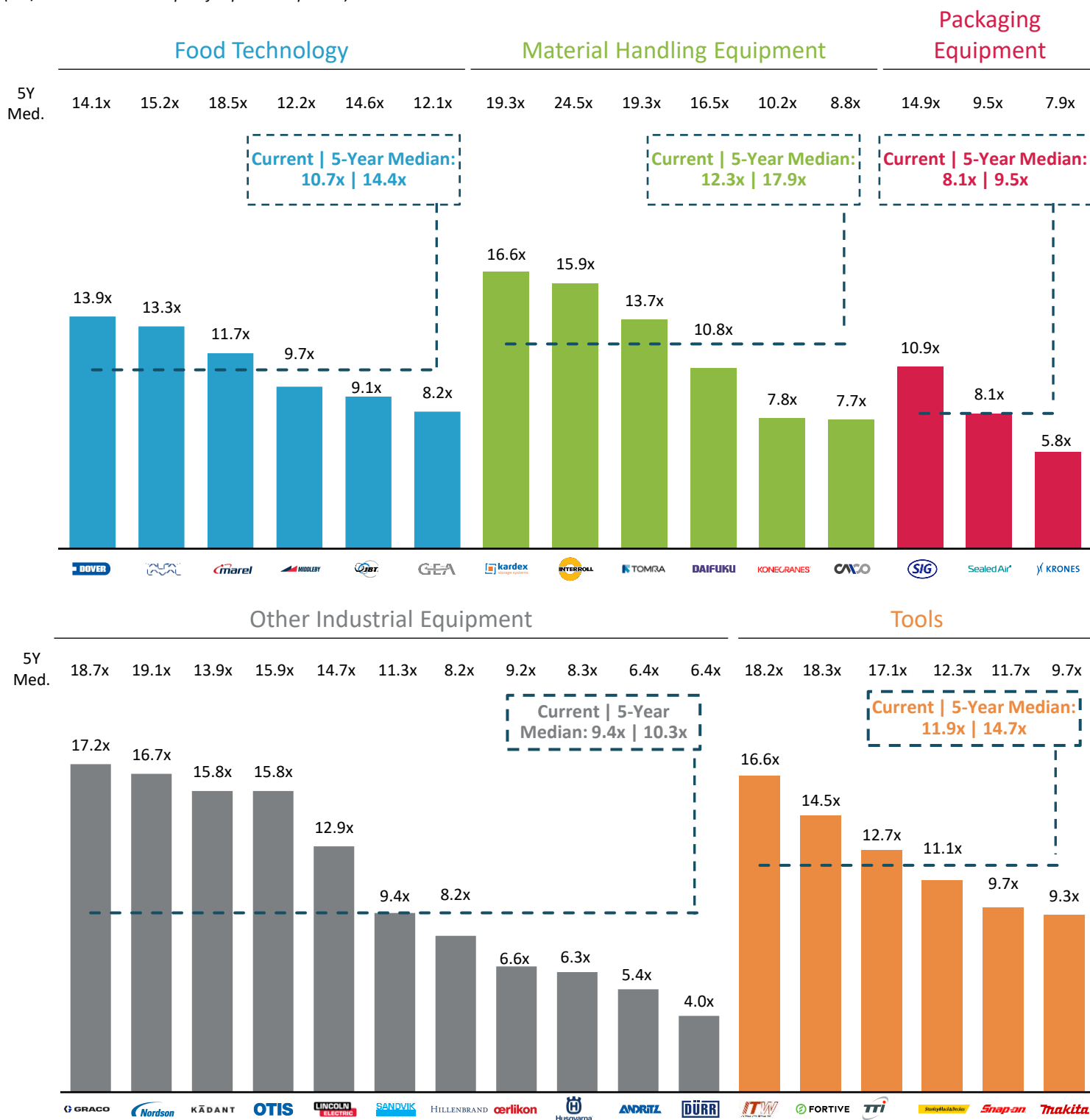
Note: See page 9 for index constituents. Shading in table corresponds to categories in the charts below.

Current Public Market Valuations

Current public market valuations are normalizing around long-term levels and 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 08/23/2024.

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 14.0x 2024E EBITDA and 10.8x 2025P EBITDA

Company	Market Cap. (\$ m)	EV (\$ m)	EV / EBITDA		EV / EBIT		P / E		Net Debt / EBITDA
			2024E	2025P	2024E	2025P	2024E	2025P	2023A
Food Technology			12.3x	10.7x	15.3x	14.1x	18.8x	17.4x	1.6x
Alfa Laval	\$18,244	\$18,602	14.5x	13.3x	16.6x	15.5x	23.5x	20.6x	0.9x
Dover	25,380	26,950	14.4	13.9	17.1	17.3	20.2	18.9	1.6
GEA	7,640	7,600	8.5	8.2	11.2	10.7	15.1	14.2	N/A
John Bean Technologies	2,870	2,973	9.8	9.1	13.9	12.7	17.5	15.9	0.7
Marel	2,699	3,613	14.3	11.7	21.3	16.3	64.0	22.8	4.9
Middleby	7,638	9,104	10.2	9.7	12.2	11.4	14.7	13.5	2.3
Material Handling Equipment			14.8x	12.3x	16.8x	15.5x	25.3x	24.3x	1.5x
Columbus McKinnon	\$975	\$1,401	8.5x	7.7x	12.1x	10.6x	11.7x	10.0x	3.3x
Daifuku	7,234	6,067	11.9	10.8	13.7	12.4	22.8	20.8	(1.0)
Interroll	2,455	2,257	18.6	15.9	23.9	19.7	33.0	33.0	N/A
Kardex	2,331	2,207	17.8	16.6	20.0	18.6	27.8	27.8	N/A
Konecranes	5,510	5,558	8.2	7.8	9.9	9.4	13.8	13.8	0.9
Tomra	4,484	4,671	17.7	13.7	30.5	21.6	45.4	45.4	2.1
Packaging Equipment			8.4x	8.1x	11.0x	10.5x	13.6x	11.3x	3.1x
Krones	\$4,244	\$3,973	6.6x	5.8x	9.5x	7.9x	13.6x	11.3x	(0.3x)
Sealed Air	5,081	9,253	8.4	8.1	11.0	10.5	11.7	11.0	4.1
SIG Combibloc	7,921	10,568	11.8	10.9	20.6	17.5	23.8	23.8	3.1
Other Industrial Equipment			10.5x	9.4x	15.7x	13.8x	21.1x	13.8x	1.7x
Andritz	\$6,513	\$5,685	5.6x	5.4x	7.5x	7.0x	10.8x	10.2x	(0.8x)
DMG Mori	3,899	3,852	N/A	N/A	N/A	N/A	N/A	N/A	(0.1)
Dürr	1,513	1,947	4.5	4.0	6.7	5.5	9.4	5.5	1.7
Graco	13,900	12,901	18.2	17.2	20.5	19.3	27.5	19.3	(0.9)
Hillenbrand	2,357	4,034	8.2	8.2	11.8	N/A	10.6	N/A	4.0
Husqvarna	3,975	4,911	7.1	6.3	12.0	10.0	15.5	10.0	1.9
Kadant	3,761	3,819	16.8	15.8	21.4	20.0	32.3	20.0	1.3
Lincoln Electric	11,221	10,809	14.0	12.9	15.7	14.5	21.8	14.5	1.1
Nordson	14,719	15,416	18.2	16.7	21.7	19.9	26.8	19.9	1.8
OC Oerlikon	1,834	3,209	7.4	6.6	16.1	13.0	21.1	13.0	5.2
Otis	37,732	43,307	16.9	15.8	18.0	16.8	24.3	16.8	2.7
Sandvik	26,443	29,228	10.5	9.4	13.3	11.9	17.4	11.9	1.7
Tools			15.1x	11.9x	16.6x	15.2x	22.2x	18.2x	0.9x
Enerpac	\$2,211	\$2,190	14.5x	N/A	16.6x	N/A	22.2x	N/A	0.4x
Fortive	25,712	\$28,067	15.6	14.5	22.1	20.1	19.2	17.7	22.8
Illinois Tool Works	73,331	79,937	17.2	16.6	18.8	18.2	24.2	22.8	4.8
Makita	8,933	7,647	1.6	9.3	13.6	12.1	24.6	20.5	(0.2)
Snap-on	14,953	14,340	19.2	9.7	10.7	10.3	14.9	14.3	0.1
Stanley Black & Decker	15,458	21,745	15.1	11.1	15.9	13.0	24.0	17.8	4.7
Techtronic Industries	24,683	25,501	14.3	12.7	20.0	17.5	21.9	18.6	0.9
Mean			12.3x	11.1x	15.9x	14.2x	22.0x	17.9x	2.4x
Median			14.0x	10.8x	15.9x	13.0x	21.8x	17.7x	1.7x

Source: S&P Capital IQ as of 08/23/2024.

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

15+
Transactions with
International Party

>\$5bn
Capital Raised

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

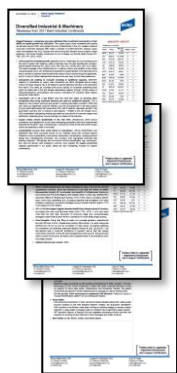


Mantas Wachendoerfer
Vice President

Equity Research Coverage



Mig Dobre
Sr. Research Analyst,
Diversified Industrials
and Machinery



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



Robert Mason
Sr. Research Analyst,
Advanced Industrial
Equipment



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



Mike Halloran
Sr. Research Analyst,
Process Controls

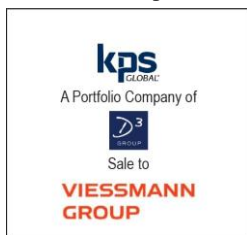


- ✓ 15+ years of experience as a Process Controls research analyst
- ✓ 400+ research documents published over the last 12 months

Note: Transactions since 2010.

Baird's Recent Industrial Equipment Experience

Pending



Provider of insulated panel systems for foodservice, cold storage and retail applications



Industrial, precision and sanitary conveyance solutions



Further food processing equipment for protein end markets



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



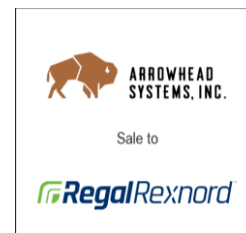
Ergonomic products for working and healthcare environments



Vehicle-mounted aerial lifts and other equipment



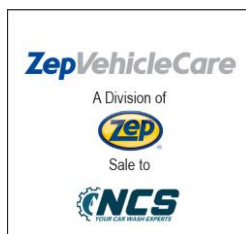
Food processing equipment and aftermarket solutions



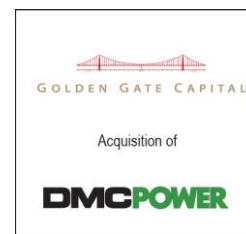
Process automation solutions and components



Inventory vending and dispensing solutions



Commercial car wash chemical and water reclamation systems



Proprietary connector systems and tools for electrical utilities

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