



### Quarterly Update

- Driven primarily by strategic and financial-backed acquirers, the Precision Manufacturing subsector continues to demonstrate strong deal volume in the third quarter of 2022.
- EdgePoint's Precision Manufacturing Index began to recover in August, despite its underperformance against the broader market throughout most of the second quarter.
- The St. Louis Fed's industrial production index rose slightly in August, suggesting that manufacturing output began to increase following four months of declines.
- EdgePoint expects continued stability in lower-middle market deal volume and valuations into the first half of 2023. Key issues to watch include the Federal Reserve's ongoing management of persistent inflation in the United States and the potential impact of increasing interest rates on valuations. U.S. Midterm Elections are also on the horizon.

### Recent Industrials Transactions (Selected)



**For more information and insights, please contact the EdgePoint Industrials Group:**



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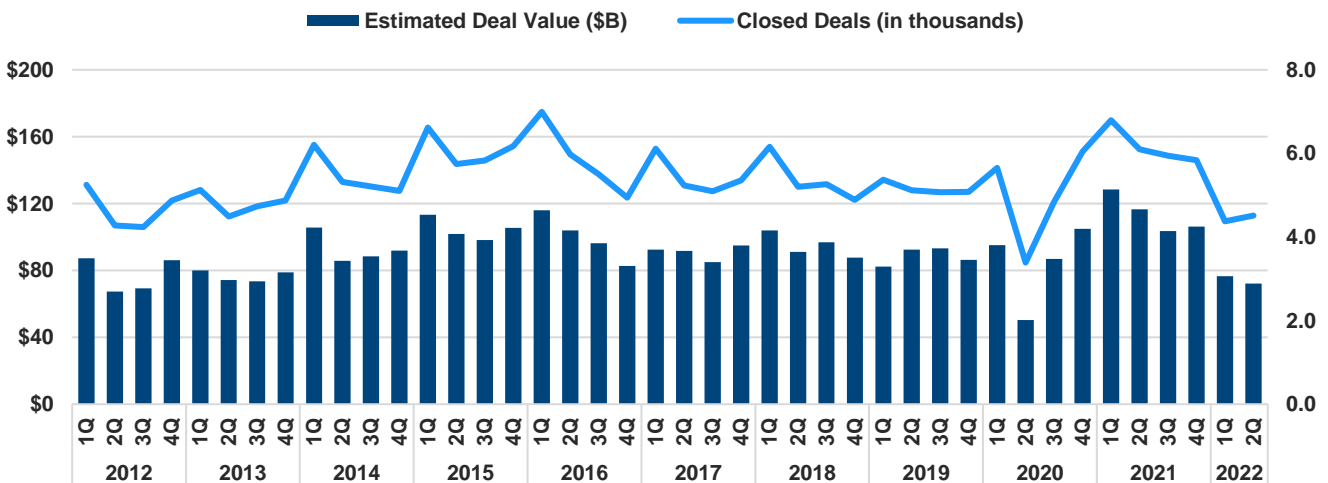
# Industrials: Precision Manufacturing | August 2022

## Recent Chemicals & Coatings Transactions (Selected)

| Target                              | Date   | Buyer / Investor                 | Region (Target) | Buyer / Investor Type      |
|-------------------------------------|--------|----------------------------------|-----------------|----------------------------|
| Ibex Engineering, Inc.              | Aug 17 | Bearing Engineers, Inc.          | United States   | Financial-Backed Strategic |
| Redco Corporation                   | Aug 12 | Spruce Lake Liability Management | United States   | Financial                  |
| Kaon Automation Limited             | Aug 11 | Greatch Technology Berhad        | EMEA            | Strategic                  |
| Regal Components AB                 | Aug 11 | Driveline Solutions              | EMEA            | Strategic                  |
| COMTEC Mfg., Inc.                   | Aug 9  | Continuum Equity Partners        | United States   | Financial                  |
| Egeli Egesan Group                  | Aug 5  | Tyrolit Kg                       | EMEA            | Strategic                  |
| The Burke Porter Group of brands    | Aug 1  | AEA Investors LP                 | United States   | Financial                  |
| Ewellix AB                          | Jul 24 | Schaeffler AG                    | EMEA            | Strategic                  |
| Visco SA                            | Jul 20 | Ace Capital Partners             | EMEA            | Financial                  |
| Kennedy Tool & Die, Inc.            | Jul 20 | Graham Engineering Corporation   | United States   | Financial-Backed Strategic |
| Accurate Metal Machining, Inc.      | Jul 19 | Flight Support Group, Inc.       | United States   | Strategic                  |
| Redline Chambers, Inc.              | Jul 14 | TPS, LLC                         | United States   | Financial-Backed Strategic |
| InnoLas Photonics GmbH              | Jul 13 | Trogroup GmbH                    | EMEA            | Strategic                  |
| Ripley Tools LLC                    | Jul 11 | Hubbell Incorporated             | United States   | Strategic                  |
| Fortaco Group Oy                    | Jul 8  | OEP Capital Advisors, L.P.       | EMEA            | Financial                  |
| Timber Automation, LLC              | Jul 7  | US Natural Resources, Inc.       | United States   | Financial-Backed Strategic |
| The Kinetic Co., Inc.               | Jun 30 | Precision Industries, Inc.       | United States   | Strategic                  |
| PVD Products, Inc.                  | Jun 29 | High Temperature Superconductors | United States   | Strategic                  |
| Remke Industries, Inc.              | Jun 27 | NSi Industries, LLC              | United States   | Financial-Backed Strategic |
| KKSP Precision Machining, LLC       | Jun 23 | Pine Grove Holdings, LLC         | United States   | Financial                  |
| Goodtech Solutions Manufacturing AB | Jun 22 | BE Group AB                      | EMEA            | Strategic                  |
| Double E Company LLC                | Jun 21 | Industrial Growth Partners       | United States   | Financial                  |
| Hydrolico International Inc.        | Jun 10 | Bailey International, LLC        | Canada          | Financial-Backed Strategic |
| Zet-Tek, Inc.                       | Jun 2  | Hermetic Solutions Group LLC     | United States   | Financial-Backed Strategic |

Source: S&P Capital IQ (August 31, 2022)

## Global Lower-Middle Market Quarterly Deal Flow



Lower-middle market refers to deals valued at \$100 million or less

Source: Pitchbook (August 31, 2022)

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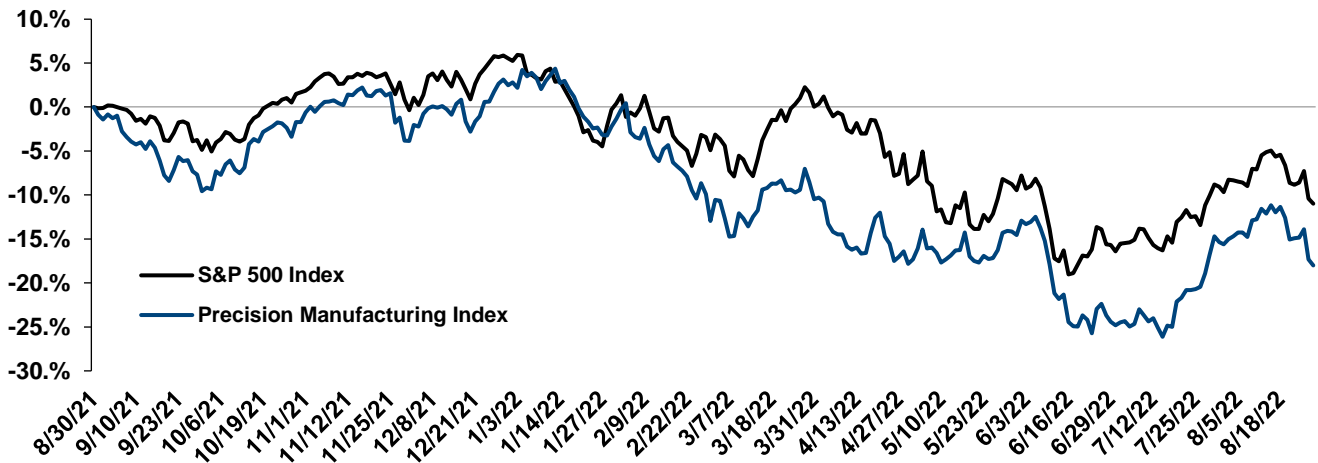
## EdgePoint Public Comparable Index Constituents

### Precision Manufacturing Index

| Company Name                    | Enterprise Value (EV) | LTM Margins  |              | EBITDA       |              | EV/EBITDA    |              | Revenue LTM  | Revenue Growth |             | Stock Price  | % of 52 Wk High |
|---------------------------------|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|-------------|--------------|-----------------|
|                                 |                       | Gross        | EBITDA       | LTM          | 2022E        | LTM          | 2022E        |              | LTM            | 3-Yr. CAGR  |              |                 |
| AMETEK, Inc.                    | \$ 29,914             | 34.6%        | 29.1%        | \$ 1,723     | \$ 1,778     | 16.6x        | 16.8x        | \$ 5,918     | 20.1%          | 5.5%        | \$ 120.16    | 81.2%           |
| Celestica Inc.                  | 1,715                 | 8.9%         | 5.1%         | 321          | 426          | 4.9x         | 4.0x         | 6,264        | 12.0%          | -0.3%       | 10.36        | 79.7%           |
| Canfor Pulp Products Inc.       | 310                   | 18.1%        | 2.4%         | 19           | 57           | 15.5x        | 5.4x         | 819          | -0.5%          | -5.3%       | 4.24         | 72.7%           |
| Cummins Inc.                    | 33,259                | 24.2%        | 12.5%        | 3,111        | 4,185        | 9.0x         | 7.9x         | 24,789       | 7.1%           | 0.7%        | 215.37       | 87.0%           |
| Illinois Tool Works Inc.        | 67,086                | 40.5%        | 26.0%        | 3,950        | 4,174        | 16.8x        | 16.1x        | 15,185       | 8.4%           | 1.9%        | 194.83       | 78.0%           |
| Lincoln Electric Holdings, Inc. | 8,648                 | 34.1%        | 18.5%        | 656          | 711          | 12.8x        | 12.2x        | 3,546        | 20.4%          | 5.5%        | 136.69       | 92.0%           |
| Sandvik AB (publ)               | 23,770                | 39.3%        | 21.5%        | 2,359        | 2,435        | 9.9x         | 9.7x         | 10,970       | 38.4%          | 3.4%        | 15.71        | 63.4%           |
| <b>Median</b>                   |                       | <b>34.1%</b> | <b>18.5%</b> | <b>1,723</b> | <b>1,778</b> | <b>12.8x</b> | <b>9.7x</b>  | <b>6,264</b> | <b>12.0%</b>   | <b>1.9%</b> | <b>120.2</b> | <b>79.7%</b>    |
| <b>Mean</b>                     |                       | <b>28.5%</b> | <b>16.5%</b> | <b>1,734</b> | <b>1,967</b> | <b>12.2x</b> | <b>10.3x</b> | <b>9,641</b> | <b>15.1%</b>   | <b>1.6%</b> | <b>99.6</b>  | <b>79.1%</b>    |

Source: S&P Capital IQ (August 31, 2022)

## EdgePoint Public Comparable Index Trailing Twelve Months Stock Performance

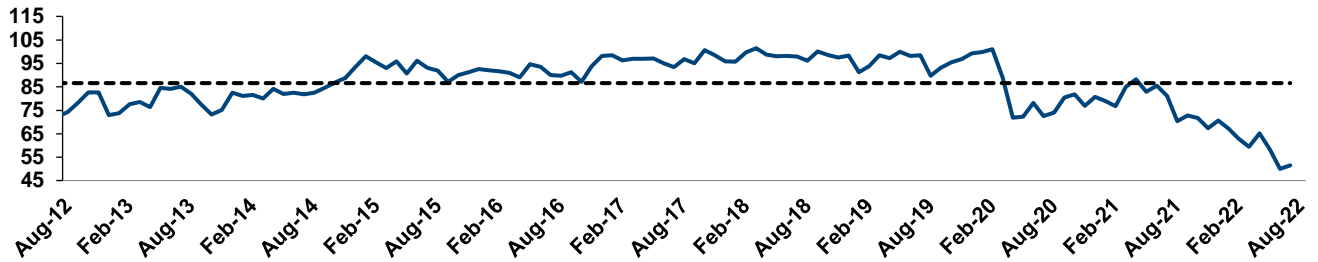


Source: S&P Capital IQ (August 31, 2022)

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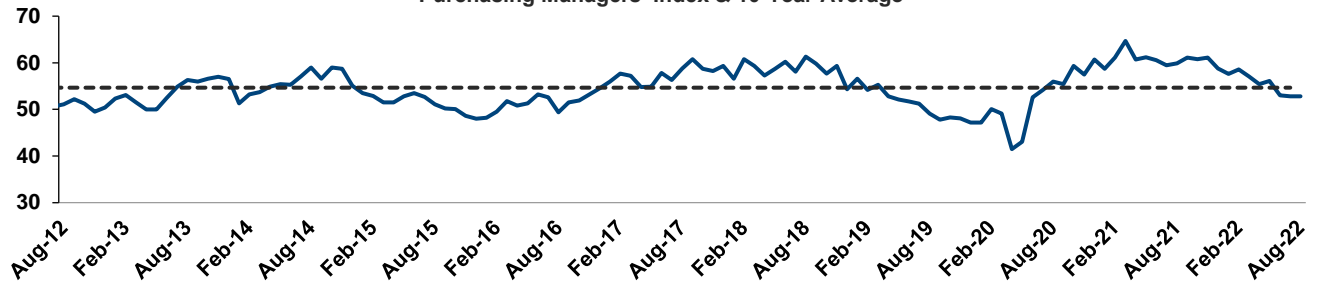
## Key Macroeconomic Indicators

University of Michigan Consumer Confidence Index & 10-Year Average



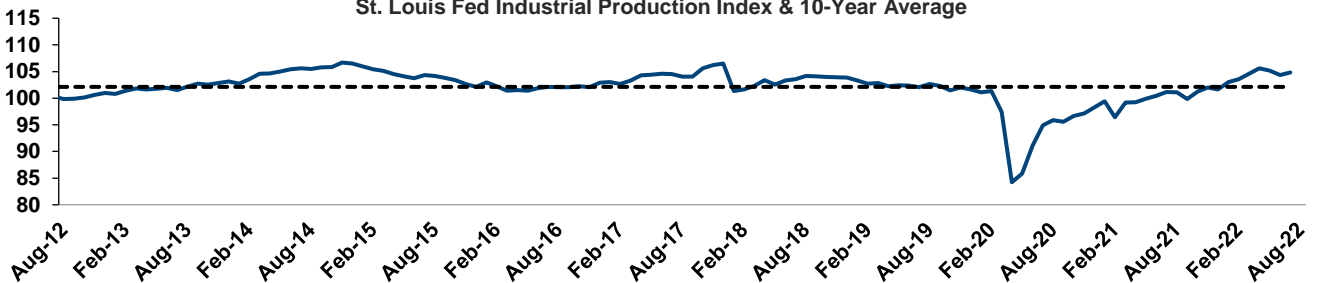
Source: University of Michigan

Purchasing Managers' Index & 10-Year Average



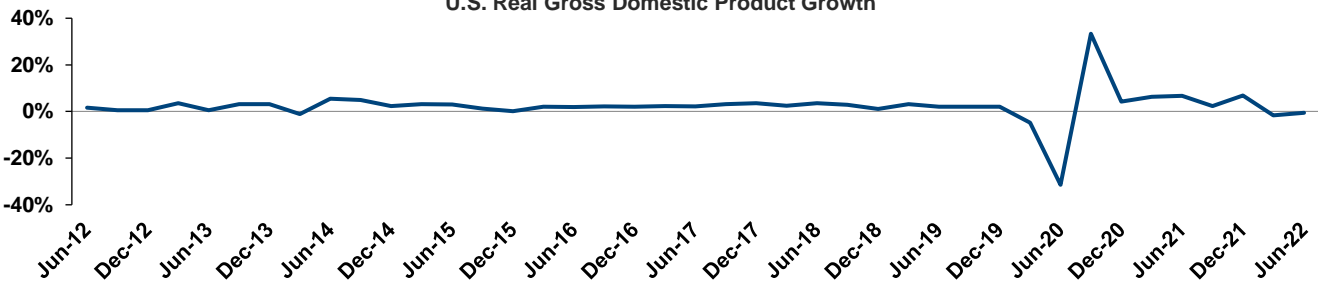
Source: Institute for Supply Management

St. Louis Fed Industrial Production Index & 10-Year Average



Source: The Federal Reserve Bank of St. Louis

U.S. Real Gross Domestic Product Growth



Source: Bureau of Economic Analysis