



INDUSTRIALS & MANUFACTURING

Update | Q3 2020



Victory Partners

Industrials & Manufacturing Industries Update | Q3 2020

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FIRM MANTRA

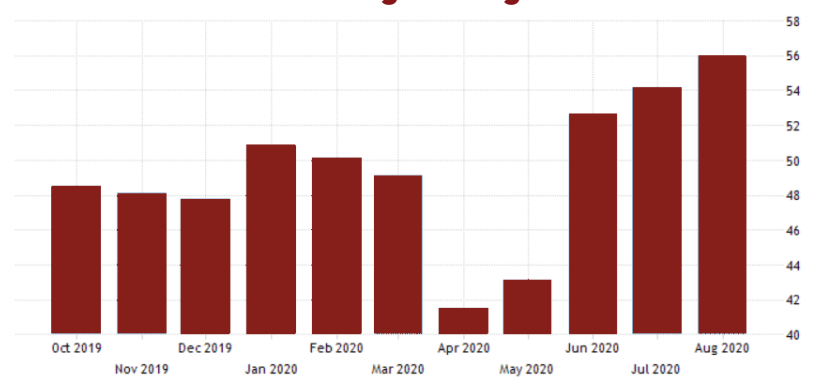
It is not the critic who counts; nor the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat.

INDUSTRY OUTLOOK

Economic activity in the manufacturing sector grew in July, with the overall economy notching a third consecutive month of growth, say the nation's supply executive in the latest Manufacturing ISM Report on Business. This growth is being experienced after a three month decline in Q2. The July PMI registered 54.2 percent. The New Orders Index registered 61.5 percent, an increase of 5.1 percentage points from the June reading of 56.4 percent. Not surprisingly, the Employment Index also increased from 42.1 percent in June to 44.3 percent in July. These are very positive signs that the manufacturing and industrials space is experiencing a strong economic recovery.

Of the 18 manufacturing industries, 13 reported growth in July, including: Wood Products; Furniture & Related Products; Textile Mills; Printing & Related Support Activities; Food, Beverage & Tobacco Products; Plastics & Rubber Products; Chemical Products; Apparel, Leather & Allied Products; Computer & Electronic Products; Primary Metals; Petroleum & Coal Products; Miscellaneous Manufacturing; and Electrical, Appliances & Components.

ISM Purchasing Manager's Index





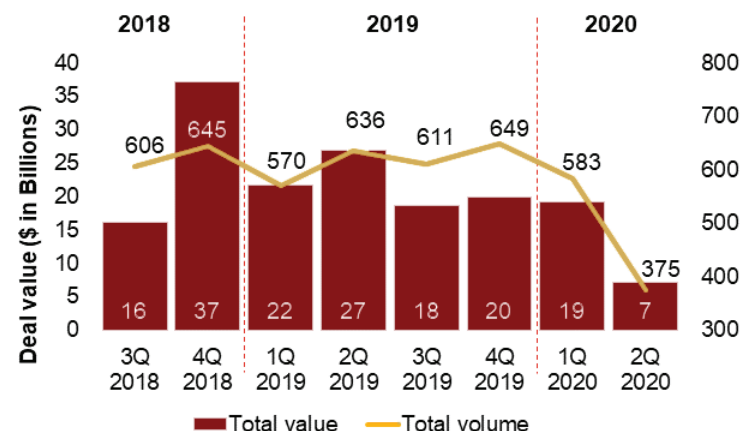
M&A OVERVIEW

We expect deal volume and value in the second half of 2020 to begin to recover from the sector lows seen during the peak of the COVID-19 pandemic. We saw significant declines in transacted volumes in Apr-20 (108 announced deals) and May-20 (117 announced deals), which we expect will gradually increase and hit more normalized monthly levels of ~200 deals by early 2021. Historically, aggregate deal value has been driven by mega-deals where we anticipate seeing a decline over the next six to 12 months as companies focus on managing their way out of the pandemic

and emerging stronger. Many companies will continue to focus on value preservation through cash flow and cost management measures as well as minimizing supply chain risk as their supply chains, most of which are less financially stable, also transition to a different way of doing business. We expect the following factors to drive a resurgence in M&A activity in the sector in the H2 2020: shifting industry paths, supply chain risk management and efficiency, the future of capital and need for technological innovation.

- ▶ The industrial manufacturing sector has experienced a decline in deal volume and value in the first half of 2020.
- ▶ Total deal value in H1 2020 amounted to \$26.2 billion, a decrease of 46% as compared to the H1 2019. A similar downward trend was seen in deal volume in H1 2020 registering 958 deals compared to 1,206 deals in H1 2019, a 21% decline.
- ▶ The deal value in Q2 2020 was the lowest in the last eight quarters primarily due to the impacts of the COVID-19 pandemic.
- ▶ The top ten deals totaled \$12.5 billion, accounting for approximately 48% of the total deal value in H1 2020.

TOTAL DEAL VALUE & VOLUME



Source: Refinitiv

Industrial Manufacturing Deals Outlook

Announced	Target Name	Acquirer Name	Value (\$B)	Segment
01/21/20	Eaton Corp PLC-Hydraulics Cylinder Business	Danfoss A/S	3.3	Industrial Machinery
02/03/20	Kissner Grp Hldg Lp	Stone Canyon Industries LLC	2.0	Miscellaneous IM & Other
03/02/20	Mobile Mini Inc	WillScot Corp	1.9	Fabricated Metal Products
02/04/20	Siemens Gamesa Renewable Energy SA	Siemens AG	1.2	Industrial Machinery
06/19/20	Hyllion Inc	Tortoise Acquisition Corp	1.0	Electronic & Electrical Equipment
01/27/20	Albea Services SASU-Dispensing Business	Silgam Holdings Inc	0.9	Industrial Machinery
01/20/20	Canam Group Inc-Canadian Operations	Investor Group	0.6	Fabricated Metal Products
01/30/20	Renk AG	SCUR-Alpha 1138 GmbH	0.6	Industrial Machinery
02/27/20	Focal Point LLC	Lengrand North America LLC	0.5	Electronic & Electrical Equipment
02/19/20	Sino-Precious Metals Holding Co Ltd	Yunnan Investment Holding Group Co Ltd	0.4	Fabricated Metal Products



SEGMENTED HIGHLIGHTS: Chemicals

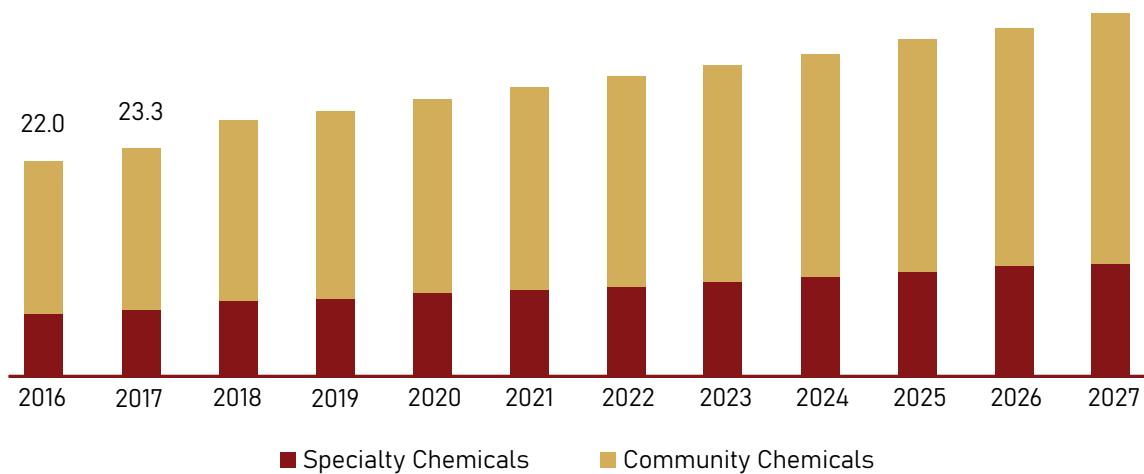
Key U.S. chemical industry metrics will be lower this year, according to the American Chemistry Council's (ACC) Mid-Year 2020 Chemical Industry Situation and Outlook. Production volumes, shipments and capital spending will fall due to economic and business disruption caused by COVID-19. A rebound in 2021 is projected, although significant uncertainty remains.

ACC's Outlook begins with a review of the global economy. Data suggest that the global recession may have bottomed out, yet the 2020 outlook is one of the poorest in decades. Global GDP will contract 4.6 percent in 2020 before expanding 5.3 percent in 2021. Global industrial production will contract 3.8 percent in 2020 before increasing by 5.3 percent in 2021.

After seven consecutive years of gains, U.S. chemical industry employment is set to fall by nearly 20,000, or 3.6 percent, in 2020. As demand for chemistry strengthens in 2021 and 2022, employment will start to recover, but won't reach pre-COVID level until 2024. The chemical industry remains a major employer, paying its workers on average more than \$87,000 in 2019. These jobs and the wages they pay support local communities around the country.

Source: American Chemistry Council

U.S. CHEMICAL DISTRIBUTION MARKET SIZE, BY PRODUCT, 2016 - 2027 (USD BILLION)



Source: www.grandviewresearch.com

“ Although the majority of lockdowns have been easing globally and economic activity likely troughed during the second quarter, visibility on the economic outlook remains extremely limited. More specifically, the risk of a second wave of virus cases globally, the reinstatement of some lockdowns, and the potential for lingering high unemployment create an uncertain economic environment that likely persists through the rest of 2020. ”

-Lorenzo Simonelli
Chairman and CEO of Baker Hughes



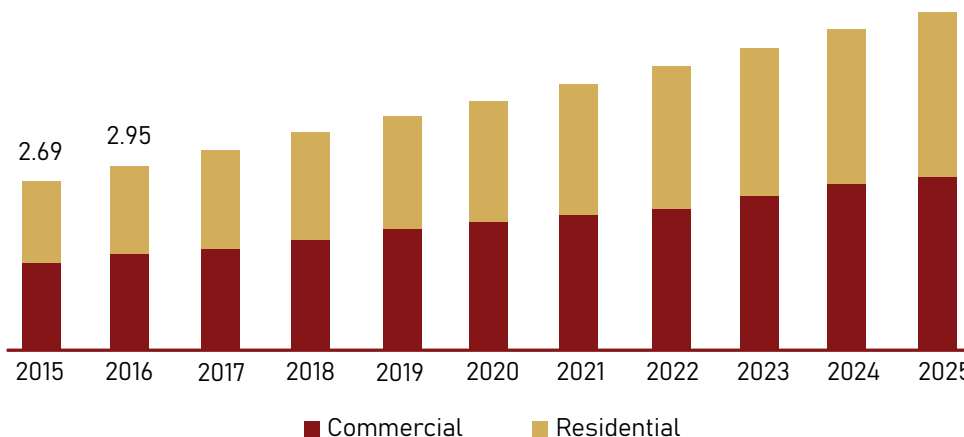
SEGMENTED HIGHLIGHTS: Furniture & Related Products

The global outdoor furniture market was valued at US\$ 17,843.7 million in 2018 and is projected to reach US\$ 26,598.5 million by 2027; it is expected to grow at a CAGR of 4.5% from 2019 to 2027.

Outdoor furniture such as chairs, tables, seating sets, dining sets, loungers, daybeds, and hammocks are quite popular among the residential and commercial customers. The outdoor furniture market on a global scale has been witnessing substantial growth in the recent past (pre COVID-19).

Consumer goods is one the world's major industries suffering serious disruptions such as supply chain breaks, technology events cancellations, and office shutdowns as a result of this pandemic. China is the global manufacturing hub and is the largest raw material supplier for various industries; however, it is also one of the worst-affected countries by the COVID-19 pandemic. The lockdown of various plants and factories in China is affecting the global supply chains and adversely impacting the manufacturing and sales of various outdoor furniture companies. The overall market break down due to COVID-19 is also affecting the outdoor furniture market growth due to shutting down of factories, obstacle in supply chain, and downturn in world economy.

U.S. OUTDOOR FURNITURE MARKET SIZE, BY PRODUCT, 2015 - 2025 (USD BILLION)



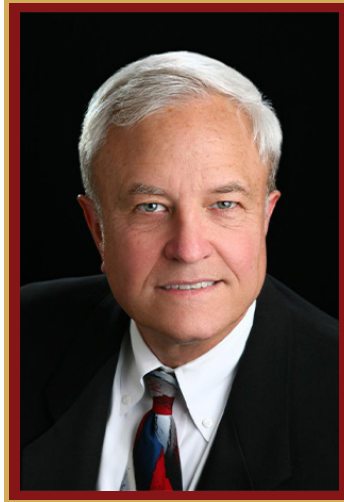
Source: www.grandviewresearch.com



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FIRM TRACK RECORD

Broad Industry Experience in Mergers & Acquisitions





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