

CHICAGO
200 WEST MADISON STREET
SUITE 2040
CHICAGO, IL 60606

MEMPHIS
6000 POPLAR AVENUE
SUITE 120
MEMPHIS, TN 38119



EXCELLENCE ON A CONSISTENT BASIS

SECTOR UPDATE

| ○ Q2 | ○ 2019

MERGERS & ACQUISITIONS

CAPITAL RAISING

STRATEGIC ADVISORY

NEWSLETTER CONTENTS

- INTRODUCTION 1
- KEY INDICATORS 1
- M&A MARKET UPDATE 2
- RECENT TRANSACTIONS 3
- TRADING STATISTICS 4
- OUR EXPERIENCE 5

INTRODUCTION

METRONOME INDUSTRIALS SECTOR FOCUS

Metronome Partners (“Metronome”) has substantial experience with industrial companies (“Industrials”) and has worked with a number of clients in the sector. While we have broad sector experience, we have deep expertise in certain subsectors, including: (i) food service equipment (“Foodservice”); (ii) heating, ventilation, air conditioning and refrigeration (“HVACR”); (iii) upstream and downstream metals production (“Metals”); and (iv) diversified manufacturing (“Manufacturing”). We follow economic, M&A transaction, and public company trading activity in each area and this report is structured with those subsectors in mind.

KEY INDICATORS—Q2 2019

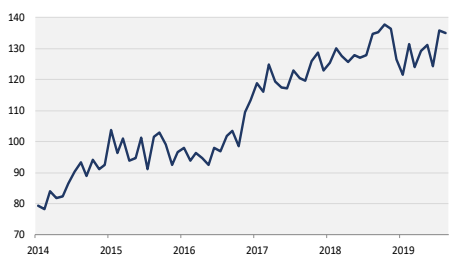
CONFLICTING SIGNALS SUGGEST SLOWER GROWTH

At the end of July 2019, the U.S. economy had grown for the past 121 months, which is the longest expansion on record.⁽¹⁾ Industrial companies generally perform in lock-step with the economy and many have flourished in recent years. Even though the current economy remains robust, past experience indicates that a downturn could be looming. Unfortunately, predicting the timing of an economic slump is no less difficult today than in prior years, particularly as key indicators show mixed results and today’s industrial economy is driven by a different mix of activities.

Indicators suggesting impending weakness include the bond market with the 10-year Treasury rate sliding below the two-year Treasury rate for the first time since 2007. Second quarter GDP grew 2.0%, still healthy but below the 3.2% rate from the first quarter. Consumer confidence declined in June to its lowest level since September 2017 as trade and tariff concerns weighed on consumers (it has since recovered in August). Manufacturing firms are also wary of the uncertain trade environment and the August PMI registered at 49.1, down 6.2 points from the March result of 55.3 and the lowest level since October 2016.⁽²⁾ New orders for manufactured goods declined over the second quarter by \$9.5 billion, or 1.9%, to \$494 billion.⁽³⁾

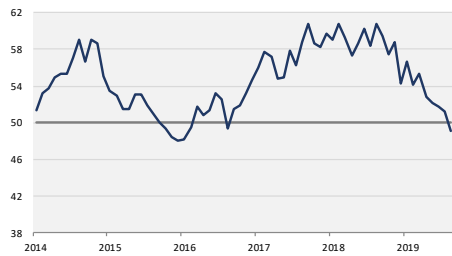
Indicators promoting a more positive outlook include equity markets, which were at record levels in July before recent escalations in the trade war. Job growth remains strong with 164,000 new jobs in July, which, despite being less than the 224,000 new jobs added in June, more than keeps pace with workforce growth. Inflation, at a 2.2% annual rate recorded in July, is also in sync with targets. Finally, declines in manufacturing output may be less impactful to the industrial economy as manufacturing represents a smaller percentage of overall industrial activity. The distinction between manufacturing and services has become blurred as more “product” companies concentrate on design, engineering and marketing while outsourcing production.

CONSUMER CONFIDENCE INDEX



Source: The Conference Board.

PURCHASING MANAGERS INDEX (PMI)



Source: Institute for Supply Management (ISM).

MANUFACTURERS NEW ORDERS (\$ IN BILLIONS)



Source: U.S. Census Bureau.

(1) Source: National Bureau of Economic Research.

(2) Source: Institute for Supply Management (ISM). A reading above 50 indicates manufacturing expansion, whereas a reading below 50 indicates manufacturing contraction.

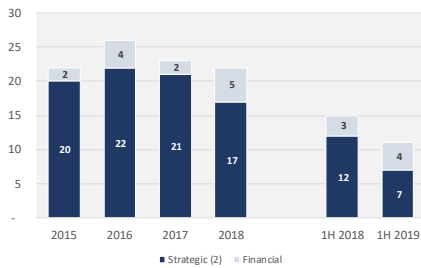
(3) Source: U.S. Census Bureau.

Metronome Partners, LLC is an independent, Chicago and Memphis based M&A advisory firm that specializes in managing, structuring, and negotiating transactions of varying sizes and complexities in a broad range of industries. With over 200 transactions completed by Metronome’s principals, the firm guides its clients through critical, value-based corporate finance alternatives, including strategic sales, recapitalizations, divestitures, and debt and equity placements. The firm focuses on middle-market businesses nationwide, valued from \$30 million to over \$500 million.

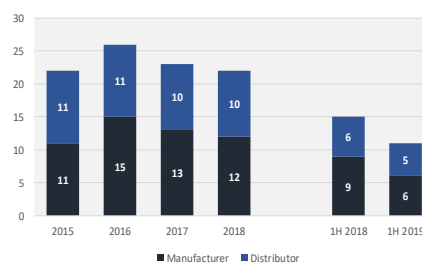
M&A MARKET UPDATE

Within our core industrial subsectors of Foodservice, HVACR, Metals, and Manufacturing, M&A activity remained robust in the first half of 2019, with the HVACR and Metals industries particularly responding to respective sector trends and events with increased M&A initiatives.

FOODSERVICE TRANSACTIONS BY BUYER TYPE



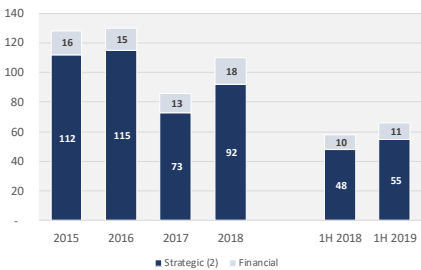
FOODSERVICE TRANSACTIONS BY SEGMENT



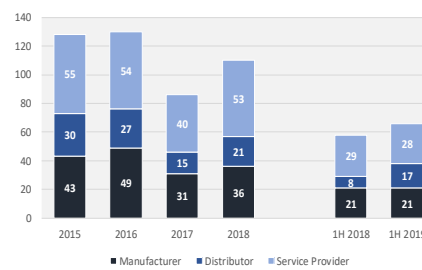
NOTABLE TRENDS

In the first half of 2019, the North American Foodservice M&A market remained strong relative to historical levels. Strategic acquirers were the most active with seven deals in the first half of 2019 compared to four deals from financial buyers establishing a platform in the industry. Activity has been fairly evenly split between manufacturers and distributors over the years. We expect M&A activity to continue, particularly in the distribution segment as consolidators look to establish regional service density.

HVACR TRANSACTIONS BY BUYER TYPE

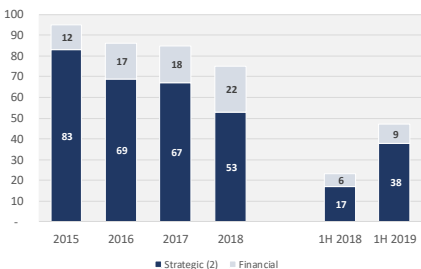


HVACR TRANSACTIONS BY SEGMENT

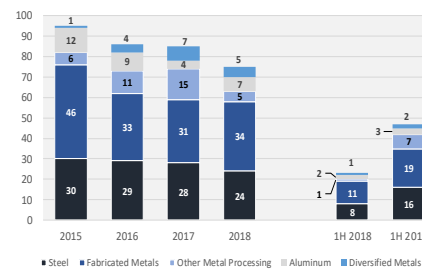


North American HVACR M&A activity continued its recent strength in the first half of 2019 with 66 total transactions compared to 58 in the comparable period last year. Strategic acquirers remained the most active as all three segments look to develop scale in an industry enjoying a number of positive trends (e.g. construction spending, retrofits and upgrades, implementation of advanced technologies). Similar to foodservice companies, acquirers in the distribution and service segments will likely remain active as they seek to build regional density.

METALS TRANSACTIONS BY BUYER TYPE ⁽³⁾

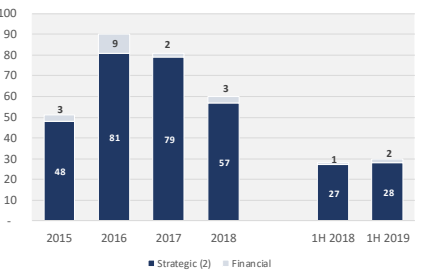


METALS TRANSACTIONS BY SEGMENT ⁽³⁾

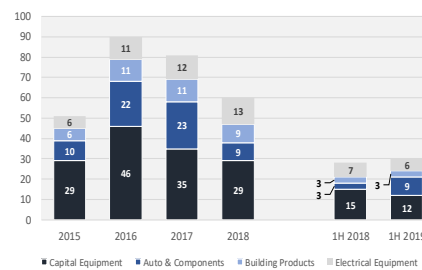


Metals activity was also strong with a significant increase in transaction levels in the first half of 2019. Even with headwinds created by political uncertainties, trade negotiations and the enactment of tariffs (lifted for Canada and Mexico in May 2019), transaction activity remained robust, with steel and metal fabrication companies leading the way. Despite global trade hurdles, the deal climate among North American industry participants should remain favorable as the affected countries work towards a revised free trade agreement.

MANUFACTURING TRANSACTIONS BY BUYER TYPE ⁽⁴⁾



MANUFACTURING TRANSACTIONS BY SUBSECTOR ⁽⁴⁾



Within Manufacturing, Metronome has extensive experience within certain sectors, including Automotive & Related Components, Building Products, Electrical Equipment and Capital Equipment (i.e. industrial equipment and niche manufacturing). Auto & Related Components transactions tripled in the first half of 2019 as companies streamlined operations and repositioned for a more electric future. Capital and Electrical Equipment M&A activity also remained strong given the continued positive economic environment.

(1) Source: Capital IQ.

(2) Strategic acquirers include platform companies that are majority-owned by private equity firms and other financial sponsors.

(3) Metals M&A activity excludes those transactions involving mining-focused companies.

(4) Includes North American transactions with transaction values from \$25 million to \$1 billion involving sectors where Metronome has expertise; deals with undisclosed values excluded from screen.

RECENT TRANSACTIONS

FOODSERVICE

Closed	Target	Acquirer	Segment/Subsector	EV (\$mm)
06/03/2019	Prime Equipment Group	John Bean Technologies Corporation	Manufacturer	\$65.0
04/01/2019	The Food Service Equipment Group	The Middleby Corporation	Manufacturer	\$105.0
03/28/2019	Five Star Food Service Equipment Group	Freeman Spogli & Co., Incorporated	Distributor	-
01/31/2019	Waugh Foods, Inc.	Sysco Corporation	Distributor	-
01/28/2019	Foodservice Business of the Oneida Group	Crown Brands, LLC	Manufacturer	-
12/03/2018	Crown Food Service Equipment	The Middleby Corporation	Manufacturer	\$42.0
11/28/2018	Perrin Bernard Supowitz, Inc.	Sole Source Capital LLC	Distributor	-
10/04/2018	The Meyer Company	Crown Brands, LLC	Manufacturer	-
07/12/2018	PartsXpress	Parts Town LLC	Distributor	-
06/22/2018	Carrier Commercial Refrigeration	The Middleby Corporation	Manufacturer	\$1,000.0

HVACR

Closed	Target	Acquirer	Segment/Subsector	EV (\$mm)
08/02/2019	Peirce-Phelps	Watco Inc.	Distributor	-
06/19/2019	Powerhouse Equipment & Engineering	Atlas Copco	Service Provider	-
05/20/2019	Arizona Operations of Westover Corporation	Pueblo Mechanical Controls, LLC	Service Provider	-
05/16/2019	Tri-Temp Refrigeration	Climate Pros, Inc.	Service Provider	-
04/11/2019	Munch's Supply	Ridgemont Equity Partners	Distributor	-
03/21/2019	CoolSys, Inc.	Ares Management Corporation	Service Provider	-
03/08/2019	Resolute Industrial	AE Industrial Partners, LLC	Manufacturer	-
03/04/2019	ABC Refrigeration	Coolsys, Inc.	Service Provider	-
02/22/2019	Reedy Industries, Inc.	Audax Group	Service Provider	-
11/01/2018	Specialty Products & Insulation Co.	Dunes Point Capital, LLC	Distributor	\$122.5

METALS

Closed	Target	Acquirer	Segment/Subsector	EV (\$mm)
06/12/2019	Hazelton Casting Co.	Speyside Foundry Holdings, LLC	Steel	-
06/12/2019	Weatherly Casting and Machine Co.	Speyside Foundry Holdings, LLC	Iron	-
06/10/2019	Johnstwon Wire Technologies, Inc.	Liberty House Limited	Steel	-
05/13/2019	Material Sciences Corporation	Sky Island Capital LLC	Other Metal Processing	-
04/18/2019	Advanced Manufacturing and Development	Montage Partners	Fabricated Metal	-
04/15/2019	Sussex Wire	MW Industries	Other Metal Processing	-
03/07/2019	Quality Industries, Inc.	Anchor Partners, LLC	Fabricated Metal	-
02/07/2019	Mid-State Machine & Fabricating Corporation	CenterGate Capital, L.P.	Fabricated Metal	-
01/11/2019	Petersen Aluminum Corporation	Carlisle Companies Incorporated	Fabricated Metal	\$197.0
01/02/2019	Keystone Consolidated Industries Inc.	Libery Steel USA	Steel	\$320.0

MANUFACTURING

Closed	Target	Acquirer	Segment/Subsector	EV (\$mm)
06/04/2019	Formica Corporation	Broadview Holding B.V.	Building Products	\$840.0
05/31/2019	AMERLUX, LLC	Delta Electronics B.V.	Electrical Equipment	\$90.0
05/03/2019	Terra Nova Technologies, Inc.	Murray & Roberts Holdings Limited	Capital Equipment	\$38.0
04/30/2019	International Wire Group Holdings, Inc.	Atlas Holdings LLC	Electrical Equipment	\$317.0
04/16/2019	Electric Vehicle Systems Division of AxleTech	Allison Transmission Holdings, Inc.	Auto & Components	\$123.0
04/08/2019	Miraclon	Montagu Private Equity LLP	Capital Equipment	\$375.0
04/01/2019	The Charles Machine Works, Inc.	The Toro Company	Capital Equipment	\$700.0
03/29/2019	VPI Quality Windows, Inc.	JELD-WEN Holding, Inc.	Building Products	\$58.0
02/01/2019	LEKTRO, Inc.	John Bean Technologies Corporation	Auto & Components	\$49.0
01/04/2019	Agility Fuel Solutions LLC	Hexagon Composites ASA	Auto & Components	\$124.2
12/31/2018	Genesis Systems Group, LLC	IPG Photonics Corporation	Capital Equipment	\$115.0
12/31/2018	Armstrong Wood Products, Inc.	American Industrial Partners	Building Products	\$100.0
12/12/2018	MP Pumps, Inc.	Gardner Denver Holdings, Inc.	Capital Equipment	\$58.5
12/06/2018	TCI, LLC	Allied Motion Technologies Inc.	Electrical Equipment	\$64.1
10/31/2018	GIGAVAC, LLC	Sensata Technologies Holding plc	Electrical Equipment	\$233.0
09/01/2018	Cone Drive Operations, Inc.	The Timken Company	Electrical Equipment	\$245.0
08/31/2018	Interface Performance Materials, Inc.	Lydall, Inc.	Capital Equipment	\$268.4
08/28/2018	Triton Industries, Inc.	BRP Inc.	Capital Equipment	\$78.5
07/20/2018	Mabey Inc.	Sunbelt Rentals, Inc.	Capital Equipment	\$90.0
07/02/2018	Tools & Test Business of Textron Inc.	Ridge Tool Company, Inc.	Capital Equipment	\$810.0

NOTABLE TRANSACTIONS

FS Freeman Spogli & Co.

Acquires



Freeman Spogli acquired Five Star Food Service, a provider of unattended food and beverage solutions in the Southeast. The company services over 8,500 customers through 17 branches and 300 routes. Freeman Spogli intends to partner with management to grow the platform.



Acquires



Audax Group recapitalized Reedy Industries, Inc., a leading provider of commercial HVAC services, mechanical services, and energy solutions. Audax and Reedy management intend to grow the business through strategic acquisitions and growth initiatives.



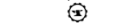
Acquires



Sky Island Capital has purchased Material Sciences Corp., a materials technology company that provides metal solutions for acoustical, light-weighting and coil coating applications. Sky Island intends to grow the business aggressively through acquisitions.



Acquires



The Toro Company has purchased the Charles Machine Works, a provider of equipment for underground utility construction. Toro intends to grow its infrastructure construction offerings.

TIMKEN

Acquires



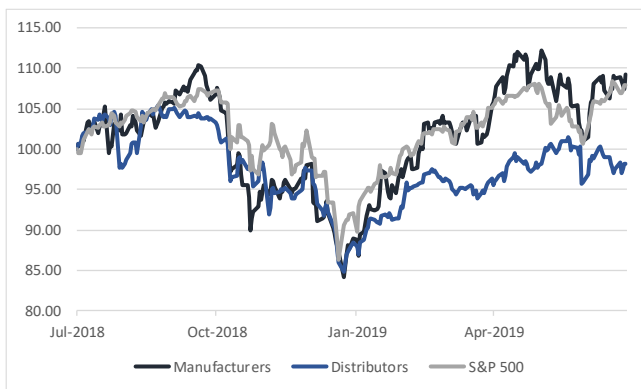
The Timken Company acquired Cone Drive, a leader in precision drives and motion control technologies. The acquisition extends Timken's product line from its core transmission offerings.

Source: Capital IQ.

TRADING STATISTICS

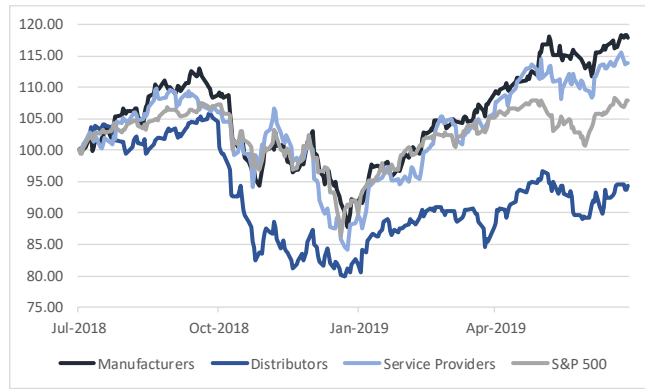
Metronome's indices track the movement in aggregate stock prices of individual companies in each subsector. Within Foodservice, manufacturers outperformed distributors in the first half of 2019, returning 23.2% vs. 11.7%. HVACR manufacturers also outperformed distributors, returning 28.3% vs. 15.3%, but only narrowly beat service providers that enjoyed a 27.1% return. Both the Metals and Manufacturing indices underperformed the S&P 500 with Metals companies gaining 2.4% and Manufacturing companies gaining 15.9% versus a 20.2% return for the S&P 500 in the first half of 2019.

METRONOME FOODSERVICE INDICES VS. S&P 500



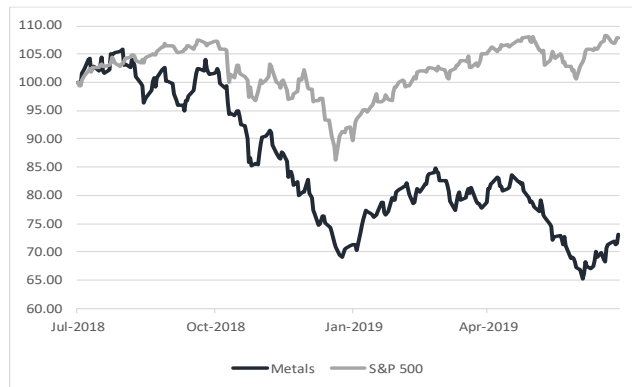
Source: Capital IQ.

METRONOME HVACR INDICES VS. S&P 500



Source: Capital IQ.

METRONOME METALS INDEX VS. S&P 500



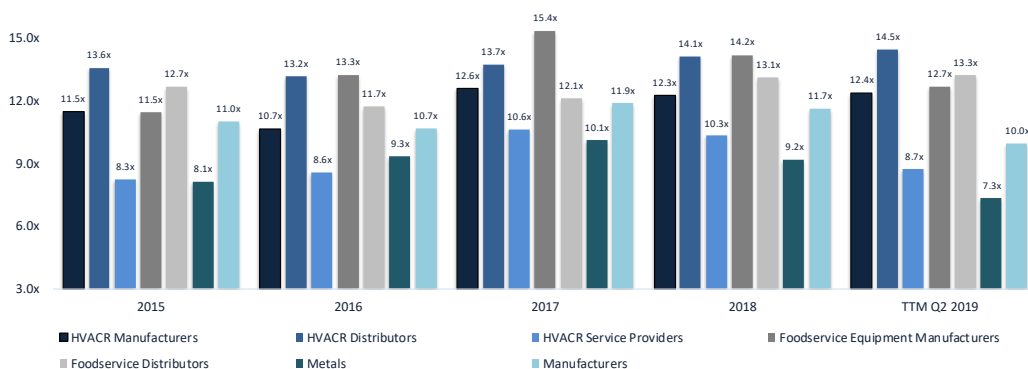
Source: Capital IQ.

METRONOME MANUFACTURING INDEX VS. S&P 500



Source: Capital IQ.

MEDIAN HISTORICAL EV/EBITDA



Source: Capital IQ.

Despite falling slightly from peak 2017 valuation levels, trailing-twelve-month ("TTM") trading multiples for Metronome's Industrials universe remained at recent historical averages in the second quarter of 2019. Relative strength in HVACR and Foodservice equipment manufacturers and distributors continued as the sectors experience growth and consolidation. Manufacturing generally lost ground in a slowing economy and Metals multiples contracted as the sector faced headwinds from a slowing global economy to tariff uncertainties.

OUR EXPERIENCE

Metronome has represented a diverse group of industrial companies across the Foodservice, HVACR, Metals and Manufacturing segments. Our team actively follows these segments and maintains strong relationships with both strategic and financial industrials-focused M&A participants. We also regularly work with shareholders of industrial companies to assess liquidity alternatives and determine optimal financing strategies, in conjunction with other operating and cultural objectives, with the goal of maximizing value for all stakeholders. Select recent Metronome Industrials sector engagements include the following mandates:

<p>Project Coast</p> <p>Corporate Sale (IN PROCESS)</p> <p>Foodservice Equipment Distributor</p>	 <p>has been recapitalized by</p> 	 <p>has received a preferred equity investment from</p> <p>Prudential Capital Group</p> <p>and has completed a debt recapitalization with</p> 	 <p>a portfolio company of</p> <p>PROMUS EQUITY</p> <p>has received a strategic investment from</p> 	 <p>a portfolio company of</p>  <p>has been acquired by</p> 
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Metronome is currently representing a privately-held value-added, national wholesale distributor of commercial foodservice equipment and genuine aftermarket OEM parts. The company serves a broad, diversified base of over 6,500 customers in the foodservice industry.

Metronome served as financial advisor to Reedy Industries, Inc. (Reedy) in its sale to Audax Group. Reedy is a family of heating, ventilation and air conditioning parts distribution and services businesses with operations in six states throughout the Great Lakes and Midwest regions.

Metronome served as financial advisor to Metal Technologies, Inc. (MTI) in securing institutional capital, including preferred equity from Prudential Capital Group and debt capital from PNC Capital Markets and three other firms. MTI is a metal casting company that provides a variety of value-added services.

Metronome served as financial advisor to ProSteel Security Products, Inc. (ProSteel) and Promus Equity Partners, LLC in securing a strategic investment in ProSteel by City Capital Ventures, LLC. ProSteel is a nationally recognized leader in the gun safe industry.

Metronome served as financial advisor to Aquion, Inc. (Aquion) and Ares Capital Corporation in the sale of Aquion to Mason Wells. Aquion is a leading water treatment equipment company and offers a broad portfolio of residential and commercial water treatment solutions.

We pride ourselves on the long-term, consistent advice we provide our clients and are proud of the relationships our team has established, built and sustained. Our reputation is our livelihood and a testament to the rigorous processes we run and the excellent results we achieve.

Please contact one of the senior bankers below if you would like to discuss how the transactions and trends described in this report will affect the outlook for M&A and other capital markets opportunities for Industrials sector participants.

JEFF ROSENKRANZ
 Managing Partner
 jrosenkranz@metronomepartners.com
 312.239.1650

RANDY KARCHMER
 Managing Partner
 rkarchmer@metronomepartners.com
 901.682.0160

MARK HARVEY
 Managing Director
 mharvey@metronomepartners.com
 312.239.1614

DAVID EDELSON
 Director
 dedelson@metronomepartners.com
 901.259.1107

ADAM KISTLER
 Director
 akistler@metronomepartners.com
 312.239.1611