

Manufacturing Market Snapshot

The latest report from Institute for Supply Management cited that manufacturing expanded in July as the Purchasing Managers' Index (PMI) registered at 52.7 percent, indicating growth in manufacturing for the 31st consecutive month (it should be noted that any PMI of more than 50 represents expansion of the manufacturing sector). Global machine tool consumption is forecasted at \$75.0 billion for 2015, a slight decrease of 0.4% from 2014. China remains the world's largest consumer of machine tools by a wide margin, projected at \$28.6 billion or 38% of total consumption in 2015. The U.S., the second largest consumer, is projected to increase to \$10.4 billion in 2015, up 28.4 percent from \$8.1 billion in 2014. Germany, Japan and South Korea make up the remainder of the top five.

In terms of transaction activity for Q2'15, a total of 83 deals were announced as compared to 95 deals over Q2'14. Deal volume fell 13 percent, primarily driven by lower levels of deal activity in Europe and Asia, where deal volume fell by 31 percent and 7 percent, respectively.

Tools and Machinery – Key M&A Statistics

Q2'15	DEAL VALUE	DEAL VOLUME	Q2'15 total global deal value \$816 million, total global deal volume 83	Q2'15	DEAL VOLUME	DEAL VALUE	Q2'15 global deal volume was down 13 percent and global deal value was down 93 percent compared to Q2'14
	\$816 MILLION	83			13% ↓	93% ↓	





The U.S. and Europe accounted for 42 percent and 40 percent, respectively, of the number of deals in Q2'15

Q2'15

DEAL VOLUME

42% (U.S.) **40%** (Europe)

DEAL VOLUME	CORPORATE DIVESTITURES			PERCENTAGE OF DEAL VOLUME	FINANCIAL BUYERS		
	Q2'14	Q2'15			Q2'14	Q2'15	
	17	11		33%	20%		

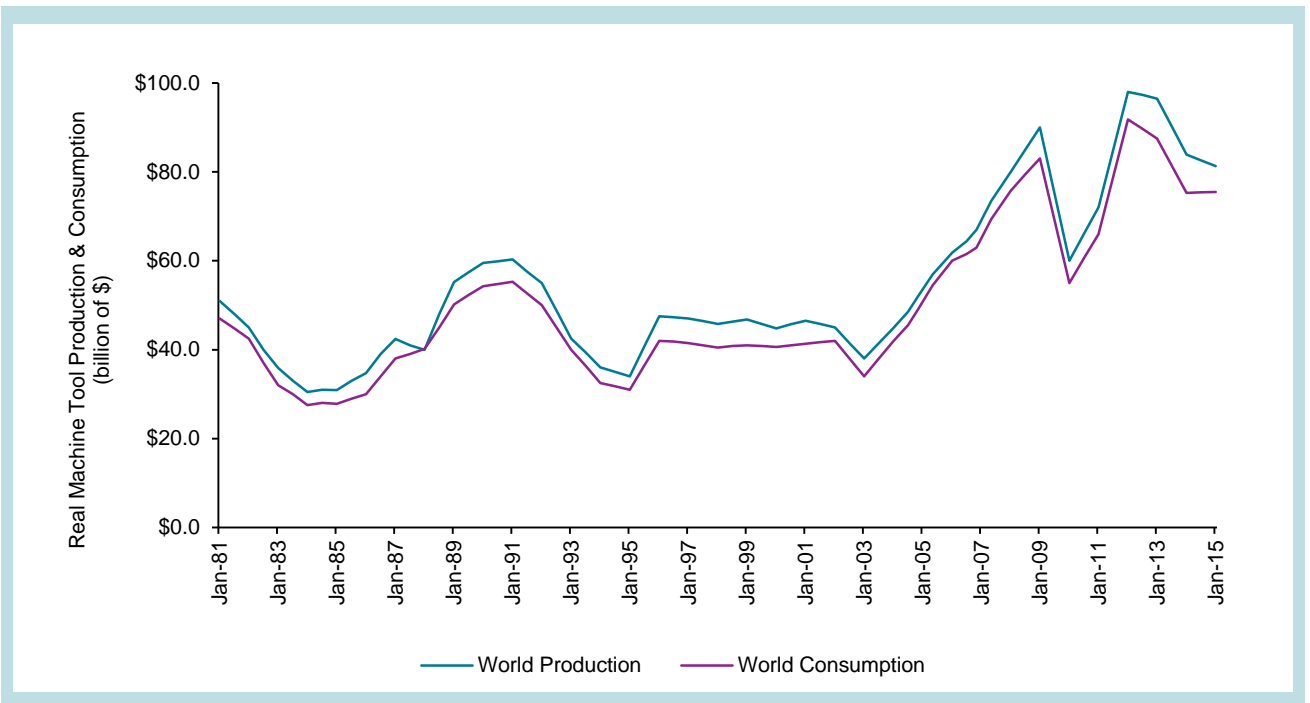
Source: CapitalIQ, National Association of Manufacturers, Gardner Research

Key Trends in the Cutting Tool & Machine Tool Accessory Market

The Cutting Tool & Machine Tool Accessory market is characterized by manufacturers of accessories and attachments for tools that cut and form metals. Products include small knives, blade cutters and metalworking drilling bits, holders, clampers and tapering attachments, all which represent critical inputs for machinists to produce goods. Cutting tools typically have a limited life span as attachments such as industrial knives or bits and bores operate under extreme conditions, increasing the rate of wear and tear. Industry operators therefore rely upon both replacement product demand as well new demand from key buyers.

The industry is fragmented, with the majority of operations small in scale and localized. The primary users of cutting and machine tools are manufacturers in machine shops, and the automotive and heavy equipment sectors. Improving activity in those sectors has increased demand in the U.S. for cutting tool and machine accessories as evidenced by a growth rate of approximately 2.6 percent per year on average in the five years through 2015 to \$5.7 billion. However, growth is forecasted at a lower annual growth rate of 0.8 percent through 2020 to \$5.9 billion, as the industry is currently facing some headwinds, including a strengthening U.S. dollar, making exports, which account for almost 20 percent of revenue, more expensive to key markets, including Canada. In addition, imports from countries such as Germany, China and Japan, which have become increasingly competitive with the rise of the dollar, will approximate \$3.2 billion or 40 percent of total U.S. demand in 2015.

World Machine Tool Production and Consumption



Source: IBISWorld, Gardner Research, AnythingResearch

Notable Recent Deals

Konecranes Plc acquires Terex Corporation

Konecranes Plc (HLSE:KCR1V), a provider of lifting equipment and services, entered into a business combination agreement to acquire Terex Corporation (NYSE:TEX), a U.S. based maker of crane and heavy equipment, for €2.4 billion in stock in a merger of equals transaction on August 10, 2015. Upon closing of the transaction, Terex shareholders will own approximately 60 percent and Konecranes shareholders will own approximately 40 percent of the combined company. The combined entity, to be named Konecranes Terex, would become a significant supplier of cranes and equipment to the construction, mining, manufacturing and shipping sectors, with an estimated revenue of \$10 billion and 32,000 employees. According to both firms, the combination would give the combined company greater scale to compete globally and a broader presence in several of their central business lines.

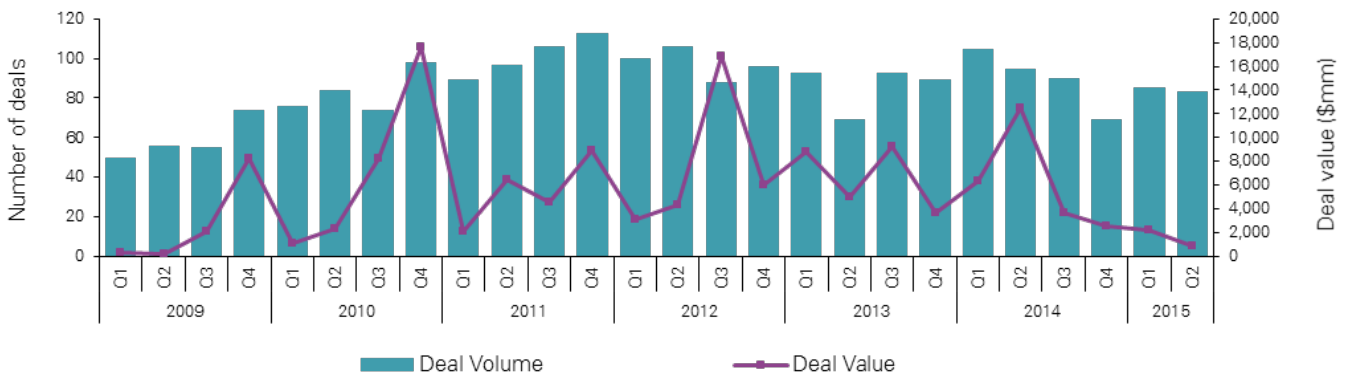
Generac Holdings Inc. acquires Country Home Products, Inc.

Generac Holdings Inc. (NYSE:GNRC), a leading designer and manufacturer of power generation equipment and other engine powered products, acquired Country Home Products, Inc., on August 1, 2015. Founded in 1985 and headquartered in Vermont, Country Home Products manufactures high-quality, innovative, professional-grade engine-powered equipment used in a wide variety of property maintenance applications, primarily sold in North America under the DR® and Neuton® brand names. "Acquiring Country Home Products is a great strategic fit for Generac's business and is perfectly aligned with our *Powering Ahead* strategic objective of diversifying our end markets with new products and services," said Aaron Jagdfeld, President and Chief Executive Officer. "This acquisition dramatically expands our chore-related products line-up and will provide additional scale to our residential engine-powered tools platform. We believe this transaction should create meaningful cross-selling opportunities with our existing distribution and should also generate certain cost synergies as we leverage our existing global sourcing and manufacturing capabilities."

IMC International Metalworking Companies B.V. acquires Tool-Flo Manufacturing, Inc.

IMC International Metalworking Companies B.V. ("IMC"), a Berkshire Hathaway portfolio company, completed the acquisition of Tool-Flo Manufacturing, Inc., a provider of carbide inserts for threading, grooving, turning, milling, and specials of various styles, on May 12, 2015. Headquartered in the Netherlands, IMC is one of the world's largest manufacturer of metalworking and cutting tools.

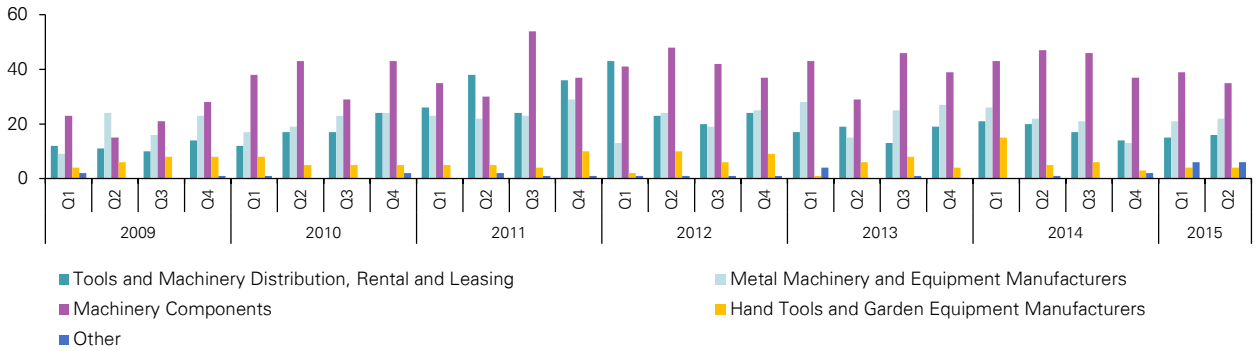
GLOBAL TOOLS AND MACHINERY INDUSTRY ANNOUNCED DEAL VOLUME AND VALUE



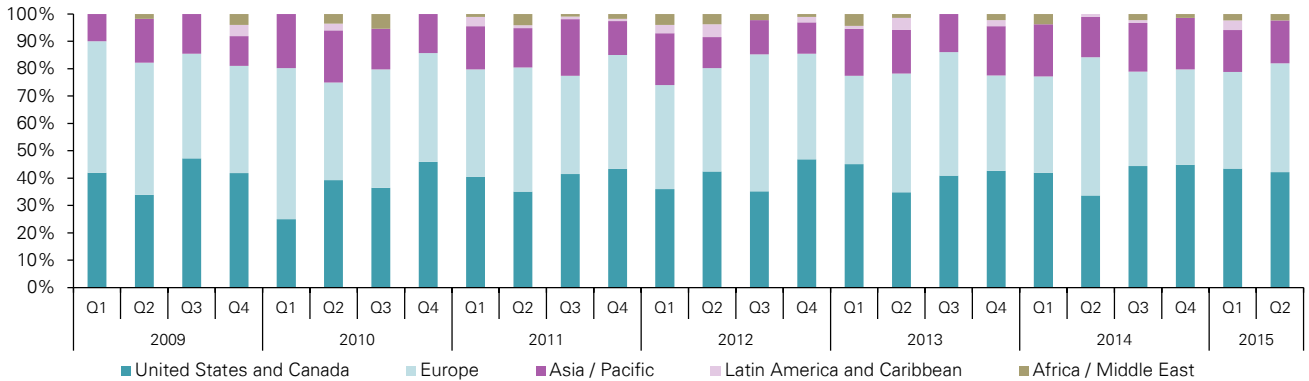
Source: CapitalIQ, MergerMarket, news releases

Notes: M&A analysis based on deals announced and/or closed during the respective periods. Deal value represents aggregate deal value for disclosed transactions for the time periods noted on the above graphs.

GLOBAL TOOLS AND MACHINERY INDUSTRY ANNOUNCED M&A DEAL VOLUME BY SUBSECTOR



GLOBAL TOOLS AND MACHINERY INDUSTRY ANNOUNCED DEAL VOLUME BY TARGET REGION



GLOBAL TOOLS AND MACHINERY INDUSTRY ANNOUNCED CROSS-BORDER DEAL VOLUME



Source: CapitalIQ

Notes: Includes deals for which geographic information was available. M&A analysis based on deals announced and/or closed during the respective periods. Deal value represents aggregate deal value for disclosed transactions for the time periods noted on the above graphs.

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SELECTED TOOLS AND MACHINERY INDUSTRY RECENT M&A TRANSACTIONS

Date Closed	Target	Buyer	Implied Enterprise Value	Implied EV/ LTM Revenue	Implied EV/ LTM EBITDA
Pending	Terex Corporation	Konecranes Plc	\$4,300.0	0.6x	7.9x
Pending	Tecumseh Products Company	Atlas Holdings LLC; DENO Investment Company II, Inc.	\$126.9	0.2x	6.5x
Pending	Sulzer, Ltd.	Renova Group	\$2,896.7	0.9x	7.9x
Pending	Shenzhen Create Century Machinery Co., Ltd.	Janus (Dongguan) Precision Components Co., Ltd.	\$386.5	1.8x	-
Pending	TRACTEL S.A.S.	Cinven Limited	-	-	-
Pending	JEP Industrades Pte Ltd.	JEP Holdings Ltd.	\$6.1	-	-
Pending	BTM Corporation	CapitalSouth Growth Fund	-	-	-
Pending	Lianyungang Huanghai Machinery Co., Ltd.	Changchun Changsheng Life Sciences Limited	-	-	-
Pending	Bradken Limited	Magotteaux Group SA	-	-	-
Pending	MAG IAS GmbH	FAIR FRIEND ENTERPRISE CO., LTD.	-	-	-
Pending	World Power Tech Co., Ltd.	HKC&T Co. Ltd.	-	-	-
8/7/2015	Sovex Limited	Transnorm Beteiligungen GmbH	-	-	-
8/3/2015	Alaska Industrial Hardware, Inc.	Bering Straits Native Corporation	-	-	-
8/1/2015	Country Home Products, Inc.	Generac Holdings Inc.	-	-	-
7/24/2015	REGE Motorenteile GmbH	Amtek Precision Technology Pte. Ltd.	-	-	-
7/10/2015	E.C.L. SA	Fives Soci�t� Anonyme	-	-	-
7/7/2015	Davey Bickford SNC	Enaex S.A.	-	-	-
7/2/2015	Kramer Ltd.	Finning International Inc.	\$194.5	0.8x	-
6/29/2015	Kurt Prinzing GmbH & Co. KG	Strassacker Project GmbH & Co. Kg	-	-	-
6/25/2015	PartnerTech AB	Scanfil Oyj	\$84.0	0.3x	16.3x
6/23/2015	ROVEMA GmbH	Equita Management GmbH; Equita GmbH & Co Covest Kga	-	-	-
6/23/2015	Yangzhou Metalforming Machine Tool Co., Ltd.	Schuler AG	-	-	-
6/22/2015	Ulstrup Plast A/S	SP Group A/S	\$11.9	-	-
6/20/2015	Revathi Equipment Limited	Renaissance Advanced Consultancy Limited	-	-	-
6/19/2015	Craft Equipment Company	Material Handling Services, LLC	-	-	-
6/17/2015	Eckhart & Associates, Inc.	LFM Capital	-	-	-
6/17/2015	IPR-Intelligente Peripherien fuer Roboter GmbH	Hannover Finanz GmbH	-	-	-
6/16/2015	mbi-group Beteiligung GmbH	Tongtai Machine & Tool Co., Ltd.	\$29.6	-	-
6/15/2015	EMS-SA	Numalliance SAS	-	-	-
6/15/2015	Trico Equipment Services LLC	Groff Tractor & Equipment, Inc.	-	-	-

Source: CapitalIQ, Mergermarket, and press releases

SELECTED TOOLS AND MACHINERY INDUSTRY RECENT M&A TRANSACTIONS (CONT'D)

Date Closed	Target	Buyer	Implied Enterprise Value	Implied EV/ LTM Revenue	Implied EV/ LTM EBITDA
6/10/2015	Papé Machinery, Inc.	AKE Companies, LLC	-	-	-
6/8/2015	Arnold Parker, Inc.	Price Industries, Inc.	-	-	-
6/1/2015	Montabert S.A.S.	Joy Global, Inc.	\$124.0	1.2x	-
6/1/2015	Jrco Inc.	Great Northern Equipment Distributing, Inc.	-	-	-
6/1/2015	Klenk GmbH & Co. KG	CERATIZIT S.A.	-	-	-
6/1/2015	Schaefer Brush Manufacturing, LLC	Blackthorne Partners LTD.	-	-	-
5/31/2015	North West Crane Ltd.	Equicapita Income GP Ltd.	-	-	-
5/31/2015	Lane Industries, Inc.	DRT Holdings, Inc.	-	-	-
5/31/2015	Technicut Tool Inc.	White Wolf Capital LLC	-	-	-
5/27/2015	B&G Crane Service, LLC	NCSG Crane & Heavy Haul Holdings Inc.	-	-	-
5/22/2015	Crane Rental Corporation	Maxim Crane Works, L.P.	-	-	-
5/20/2015	Billy Goat Industries, Inc.	Briggs & Stratton Corporation	\$26.0	0.9x	-
5/18/2015	Ameya Transmissions Gears Pvt Ltd.	Emerson Process Management (India) Pvt. Ltd.	-	-	-
5/14/2015	HTC Plant Limited (nka:HTC WOLFFKRAN Limited)	WOLFFKRAN GmbH	\$62.0	1.0x	-
5/12/2015	Tool-Flo Manufacturing, Inc.	IMC International Metalworking Companies B.V.	-	-	-
5/11/2015	Precision Aero Corporation	H-D Advanced Manufacturing Company	-	-	-
5/8/2015	Riviera Tool Co.	Tesla Motors, Inc.	-	-	-
5/7/2015	GWC Valve International, Inc.	B4 Holding I SpA	-	-	-
5/5/2015	Process Equipment, Inc.	The Sterling Group, L.P.	-	-	-
5/5/2015	SAV Spann- Automations-Normteiletechnik GmbH	Tyrol Equity AG	-	-	-
5/4/2015	East Metro Supply Company, Inc.	DGI Supply Inc.	-	-	-
5/1/2015	Valves Inc. of Texas	KMG Chemicals Inc.	\$38.7	3.2x	11.4x
5/1/2015	Eto Corporation	Kyokuto Boeki Kaisha, Ltd.	\$104.0	0.8x	-
4/30/2015	Proteck Machinery Pvt. Ltd.	Bharat Fritz Werner Ltd.	\$6.3	-	-
4/29/2015	Shandong FIN CNC Machine Co., Ltd.	Shanghai Huaming Power Equipment Co., Ltd.	-	-	-
4/28/2015	Haulotte UK Ltd	Deutsche Post AG	-	-	-
4/28/2015	Michell Bearings Limited	British Engines Limited	\$19.3	0.9x	-

Source: CapitalIQ, Mergermarket, and press releases

SELECTED TOOLS AND MACHINERY INDUSTRY PUBLIC COMPANIES

Selected Public Tools and Machinery Companies

Company	HQ Country	Market Data				LTM Financials					Valuation Multiples - Enterprise Value To:			
		Market Cap (\$mm) ^{[1][2]}	Enterprise Value (\$mm) ^[4]	Share Price ^[2]	% 52 Wk High ^[3]	Revenue	Revenue Growth	Gross Profit	Gross Margin %	EBITDA %	LTM Revenue	LTM EBITDA	CY 2016 Revenue	CY 2016 EBITDA
Hand Tools, Power Tools and Garden Equipment														
Einhell Germany AG	DE	134	194	35.51	90.2%	456	3.3%	141	31.0%	3.8%	0.4x	11.1x	0.4x	9.1x
Griffon Corporation	US	793	1,586	17.01	95.2%	2,040	1.7%	481	23.6%	8.2%	0.8x	9.5x	NM	NM
Hitachi Koki Co., Ltd.	JP	832	689	8.21	90.4%	1,122	4.5%	387	34.5%	7.2%	0.6x	8.6x	NM	8.7x
Husqvarna AB (publ)	SE	4,005	4,727	6.99	87.5%	4,251	10.8%	1,225	28.8%	10.4%	1.1x	10.7x	1.1x	9.0x
Makita Corporation	JP	7,999	6,819	58.93	98.0%	3,439	2.4%	1,292	37.6%	19.2%	2.0x	10.3x	1.9x	10.5x
Newell Rubbermaid Inc.	US	11,906	14,552	44.46	100.5%	5,835	3.4%	2,261	38.7%	16.5%	2.5x	15.1x	2.4x	13.3x
Snap-on Incorporated	US	9,889	10,704	169.99	100.2%	3,572	4.3%	1,798	50.3%	22.3%	3.0x	13.4x	3.1x	13.3x
Stanley Black & Decker, Inc.	US	16,220	20,198	105.85	95.2%	11,358	(0.4%)	4,131	36.4%	16.4%	1.8x	10.8x	1.8x	11.2x
Teichtronic Industries Company Limited	HK	6,591	6,779	3.60	93.3%	4,753	8.8%	1,673	35.2%	9.2%	1.4x	15.5x	1.3x	11.9x
The Toro Company	US	3,902	4,203	70.90	99.8%	2,282	9.4%	796	34.9%	14.5%	1.8x	12.7x	1.7x	11.4x
Hand Tools, Power Tools and Garden Equipment Mean					95.0%	4.8%	35.1%	12.8%	1.5x	11.8x	1.7x	10.9x		
Hand Tools, Power Tools and Garden Equipment Median					95.2%	3.9%	35.0%	12.4%	1.6x	11.0x	1.8x	11.2x		
Professional Tools, Heavy Equipment														
Biesse S.p.A.	IT	523	537	19.36	92.9%	483	14.7%	287	59.4%	8.6%	1.1x	13.0x	0.9x	7.7x
Blount International Inc.	US	347	744	7.20	40.1%	896	(8.2%)	252	28.2%	12.6%	0.8x	6.6x	0.9x	6.6x
Columbus McKinnon Corporation	US	429	495	21.36	71.9%	573	4.3%	181	31.6%	11.8%	0.9x	7.3x	0.7x	5.5x
HOMAG Group AG	DE	600	569	38.24	92.2%	1,111	4.3%	650	58.5%	8.4%	0.5x	6.1x	0.5x	5.2x
Generac Holdings Inc.	US	2,103	2,989	30.37	59.8%	1,356	(11.1%)	467	34.4%	20.0%	2.2x	11.0x	2.2x	10.3x
Kennametal Inc.	US	2,406	3,081	30.29	66.7%	2,647	(7.5%)	816	30.8%	14.1%	1.2x	8.2x	1.2x	8.2x
Lincoln Electric Holdings Inc.	US	4,583	4,485	61.26	81.2%	2,722	(6.3%)	919	33.8%	18.6%	1.6x	8.9x	1.7x	9.4x
Sandvik AB	SE	12,984	17,735	10.35	82.0%	11,165	4.9%	3,834	34.3%	14.6%	1.6x	10.9x	1.6x	9.0x
Tongtai Machine & Tool Co., Ltd.	TW	172	272	0.67	61.4%	288	2.5%	66	22.8%	7.1%	0.9x	13.4x	0.9x	8.8x
Professional Tools, Heavy Equipment Mean					72.0%	-0.3%	37.1%	12.8%	1.2x	9.5x	1.2x	7.8x		
Professional Tools, Heavy Equipment Median					71.9%	2.5%	33.8%	12.6%	1.1x	8.9x	0.9x	8.2x		
Machine Tools and Components														
DMG Mori Co., Ltd.	JP	1,965	3,715	15.56	73.4%	1,910	123.2%	564	29.5%	24.2%	1.9x	8.0x	1.1x	6.4x
Doosan Corporation	KR	1,199	15,727	77.24	69.3%	18,394	0.4%	3,026	16.5%	7.5%	0.9x	11.4x	0.9x	9.6x
Hardinge Inc.	US	138	130	10.77	82.3%	313	5.3%	87	27.9%	4.1%	0.4x	10.2x	0.4x	NM
Hurco Companies Inc.	US	202	141	30.87	77.3%	219	0.0%	71	32.5%	12.6%	0.6x	5.1x	NM	NM
Indústrias Romi S.A.	BR	46	136	0.67	50.2%	191	0.3%	44	23.0%	1.5%	0.7x	NM	0.7x	7.1x
Okuma Corporation	JP	1,340	1,154	8.36	70.6%	1,433	12.0%	408	28.5%	13.0%	0.8x	6.2x	1.8x	9.4x
Machine Tools and Components Mean					70.5%	23.6%	26.3%	10.5%	0.9x	8.2x	1.0x	8.1x		
Machine Tools and Components Median					72.0%	2.9%	28.2%	10.0%	0.8x	8.0x	0.9x	8.3x		

Source: CapitalIQ

(1) Market Capitalization based on closing share prices as of August 25, 2015

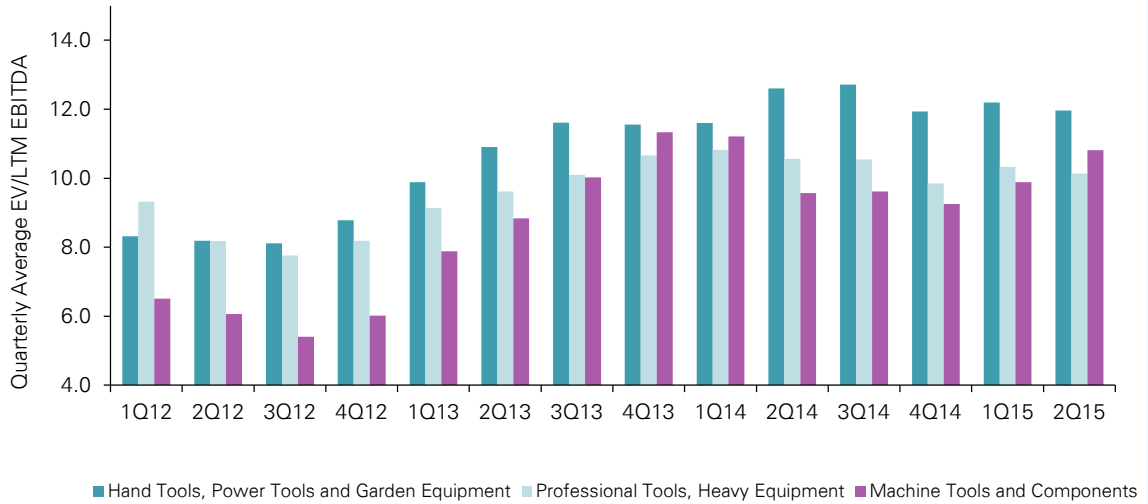
(2) Market Capitalization and Share Prices may be based on foreign exchange listed securities and converted to \$USD

(3) Indicates percentage of current stock price compared to its 52 week high. Closing share prices as of August 25, 2015

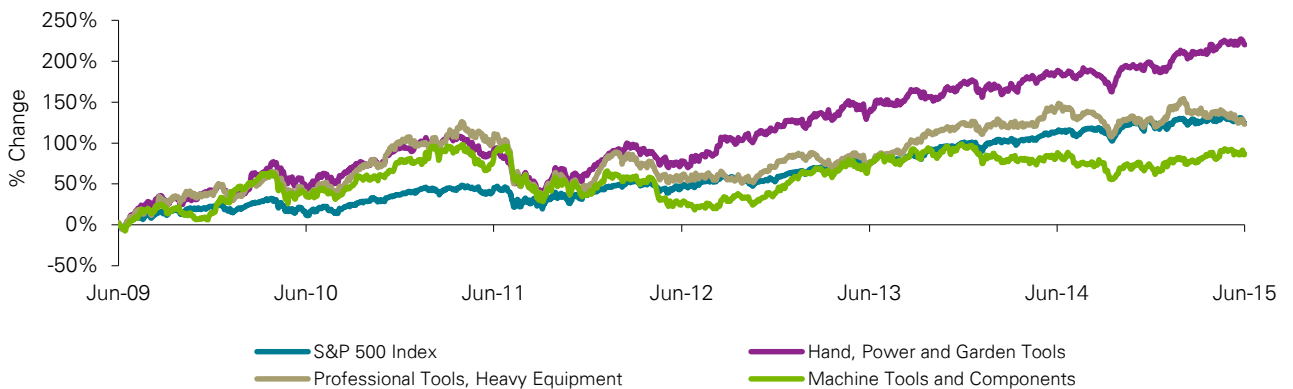
(4) Enterprise Value (EV) equals Market Capitalization plus Debt, Preferred Equity, and Minority Interest, minus Cash and Cash Equivalents

(5) EBITDA equals Earnings before Interest Expense, Income Taxes, Depreciation and Amortization

Global Tools and Machinery Industry EV/EBITDA Trends



Relative Stock Performance – Tools and Machinery Companies

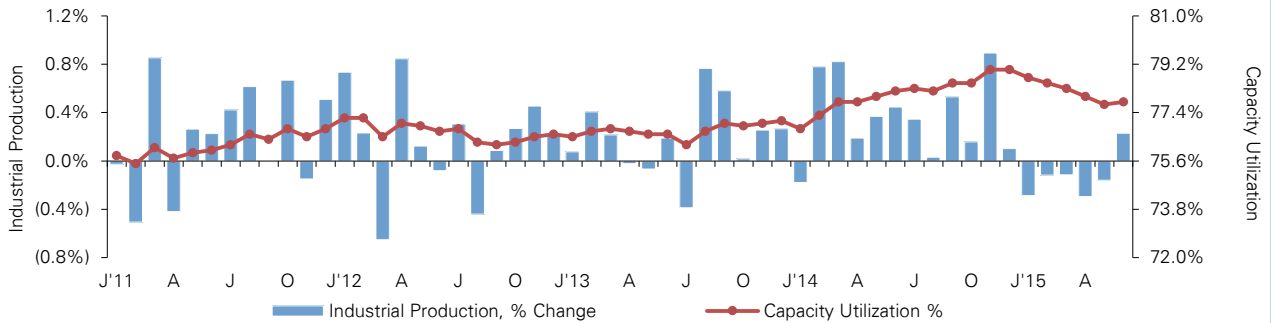


Source: CapitalIQ

Notes: Tools & Machinery trends and performance are based on internally originated lists of representative public companies. Each of the sub-sector companies can be found on page 7. Graphs depict enterprise value as a multiple of EBITDA and sub-sector performance compared to the S&P 500.

MACRO ECONOMIC DEVELOPMENTS

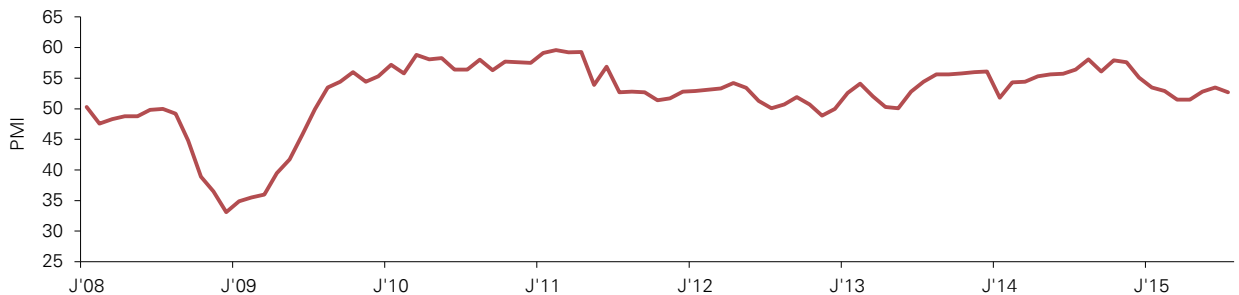
U.S. Industrial Production (% change) and Capacity Utilization



"Industrial production increased 0.3 percent in June but fell at an annual rate of 1.4 percent for the second quarter of 2015. In June, manufacturing output was unchanged: The output of motor vehicles and parts fell 3.7 percent, but production elsewhere in manufacturing rose 0.3 percent. The indexes for mining and utilities advanced 1.0 percent and 1.5 percent, respectively. At 105.7 percent of its 2007 average, total industrial production in June was 1.5 percent above its year-earlier level. Capacity utilization for the industrial sector increased 0.2 percentage point in June to 78.4 percent, a rate that is 1.7 percentage points below its long-run (1972–2014) average."

– FEDERAL RESERVE statistical release (July 15, 2015)

PMI Development



"The July PMI® registered 52.7 percent, a decrease of 0.8 percentage point below the June reading of 53.5 percent. The New Orders Index registered 56.5 percent, an increase of 0.5 percentage point from the reading of 56 percent in June. The Production Index registered 56 percent, 2 percentage points above the June reading of 54 percent. The Employment Index registered 52.7 percent, 2.8 percentage points below the June reading of 55.5 percent, reflecting growing employment levels from June but at a slower rate. Inventories of raw materials registered 49.5 percent, a decrease of 3.5 percentage points from the June reading of 53 percent. The Prices Index registered 44 percent, down 5.5 percentage points from the June reading of 49.5 percent, indicating lower raw materials prices for the ninth consecutive month. Comments from the panel reflect a combination of optimism mixed with uncertainties about international markets and the impacts of the continuing decline in oil prices."

– July 2015 Manufacturing ISM® Report On Business®


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Selected Transactions



AL-KO  **AXIS**

AL-KO Axis

KPMG Corporate Finance

acted as financial advisor to AL-KO Kober on the divestiture of the North American assets of AL-KO Axis to Dexter Axle, a portfolio company of The Sterling Group

October 2014





 **Alco Valves**
Industrial Valve Manufacturers

KPMG Corporate Finance

acted as financial advisor to the shareholders of Alco Valves on the sale to Graco Inc.

October 2014



 **walter meier**

Walter Meier Tools

KPMG Corporate Finance

acted as financial advisor to Walter Meier AG on the divestiture of Walter Meier Tools to Tenex

November 2013



 **FORKARDT**

Forkardt

KPMG Corporate Finance

acted as financial advisor to ITW on the divestiture of Forkardt to Hardinge

May 2013

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