



Capstone Partners

MAINTENANCE, REPAIR & OPERATIONS

Q1 2017

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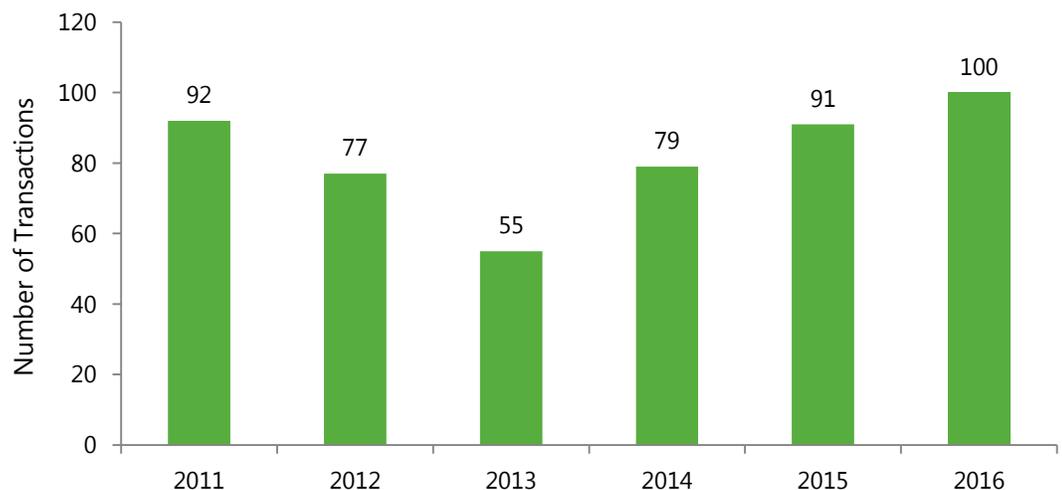
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M&A OVERVIEW

Merger and acquisition activity in the Maintenance, Repair and Operations (MRO) industry reached a record high in 2016 with 100 announced or completed transactions. Operators have benefitted from improving economic conditions and strong industrial output. According to the FRED's Industrial Production Index, which measures real output for all facilities in the US, production in December was at its highest point since October 2015. As a result, the MRO industry has seen increased demand with 2016 industry revenue growing by 0.8%. Through 2021, revenue is expected to increase at a stronger CAGR of 2.1%, reaching \$41.2 billion, according to IBISWorld. The economic recovery and increased production has expanded margins for facilities, supplying them with more capital for other investments. Predictive maintenance, asset management and other value-added services have become sought after by facilities, providing MRO operators with additional opportunities for growth.

High fragmentation and steady growth have created a ripe environment for M&A activity in the industry. Both strategic and financial buyers have remained active, accounting for 58.0% and 42.0% of transactions in 2016, respectively. While strategic buyers have made nearly the same amount of transactions in 2016 as compared to 2015, 58 vs. 60, financial buyers have shown a much stronger appetite for acquisitions. In 2016, private equity sponsors accounted for 42 transactions, significantly more than the 31 transactions in 2015, or 34.1% of volume for that year. Both portfolio companies, such as American Residential Services, and the private equity sponsors themselves, such as Sterling Partners, were highly acquisitive. Strong demand from both strategic and financial buyers resulted in premium valuations over the past two years, reaching an average disclosed deal value of \$174.0 million, revenue multiple of 1.1x and EBITDA multiple of 12.6x.

M&A Activity: MRO



Source: Capital IQ, Capstone Partners LLC research

KEY TRENDS AND DRIVERS

There are a number of trends and drivers that impact industry growth and M&A activity within the MRO industry. Capstone has identified a few of these trends and has outlined them below.

- ▶ **Data drives new opportunities** – The emergence of data and analytics in facility management has created opportunity for industry providers. Relationships with clients are becoming more strategic and less transactional, changing business models to become “stickier” sources of revenue. In addition, new service lines such as predictive maintenance, asset management and optimization have become prevalent, creating new opportunities within the industry. Operators who provide these capabilities are sought after acquisition targets as they provide buyers with an efficient way to build new offerings. General Electric (GE) has been especially active in this space acquiring both Bit Stew and ServiceMax in November for a total near \$1.1 billion, and acquiring Meridium in September, with terms undisclosed.
- ▶ **Increase in international contracts** – Facility service providers have seen an increasing number of international contracts, with demand likely to continue through 2017. Factors that have driven this demand include pressure to lower costs, demand for standardization of services, and the need to retain and attract talented employees. As a result, buyers will place a premium on targets with a broad geographic reach.
- ▶ **Demand for value-added services** – Strategic relationships with clients have driven facility managers to provide value-added services that align with their client’s social, environmental and economical missions. Providers must comply with both internal and external regulations while having the stability to weather non-compliance risks. Operators who accomplish this should see strong demand in 2017.

ACTIVE BUYER PROFILES

ATALIAN Global Services – Based in France with revenue reaching approximately \$1.2 billion, ATALIAN, a provider of facility management services, has been an active buyer in 2016 with the acquisitions of Net Express (May), Hygiene Environnement Industriel (May) and US-based Temco Services (January). Capstone expects ATALIAN to continue making global acquisitions, aligning with its growth strategy. Franck Julien, President of ATALIAN, said, “Deploying ATALIAN’s multi-business expertise across an increasingly global network of countries and continents allows us to build our international revenue base and strengthens the sustainable growth of the company.”

Cushman & Wakefield – In September 2015, Cushman & Wakefield (CW) announced that it had completed its merger with DTZ to create one of the world’s largest real estate firms. Now, with the merger integrated, the firm has increased its M&A activity. In 2016, CW made seven acquisitions, after making only one in 2015. Notably, CW acquired EnSite Solutions (November), a provider of maintenance, repair and facility management services. With already one acquisition completed this year, Meridian Immobilier (January), Capstone expects CW to remain active in 2017. Steve Quick, Chief Executive of CW, said, “Adding EnSite Solutions demonstrates Cushman & Wakefield’s commitment to growing our Integrated Facilities Management platform.”

NOTABLE TRANSACTIONS

Several notable transactions were completed in the MRO industry in 2016. Select transaction profiles are outlined below, followed by a more comprehensive list in the subsequent table.

- ▶ **GE Digital acquires ServiceMax (November)** – GE Digital, a subsidiary of General Electric (GE) that provides industrial companies with data and analytics solutions, recently acquired ServiceMax for \$915.0 million. Prior to the acquisition, GE internally used ServiceMax's platform, which provides inventory and parts logistics, work order management, and scheduling and workforce optimization. GE hopes that the combination of its existing analytics capabilities, such as the Predix platform, with ServiceMax's field service expertise will enable customers to gain value and greater efficiency in their field service products. Bill Ruh, GE Digital's CEO, commented, "Improved productivity is critical for the Industrial Internet and digitizing field services is a cornerstone of a successful digital industrial strategy. This transaction, along with our previous acquisitions of Wurldtech and Meridium, is directly aligned with our strategy to drive growth both inorganically and organically by building the capabilities to support the digital industrial transformation through Predix, APM and the Digital Thread." Dave Yarnold, ServiceMax's CEO, also said, "The transaction will help position ServiceMax to reach its next phase of growth by having access to GE's broad and advanced industrial portfolio, deep domain expertise and substantial customer footprint. We look forward to benefitting from GE's experience, capabilities and resources as we expand into new markets while continuing to deliver the best tools to help customers maximize productivity and efficiency."
- ▶ **Ainsworth acquires Airtron (November)** – Ainsworth, a subsidiary of GDI Integrated Facility Services, recently acquired Airtron Canada (Airtron) for \$14.6 million USD at a revenue multiple of 0.2x. Airtron is a leading provider of HVAC, building automation and energy efficiency services. The acquisition will add building automation and energy efficiency services to Ainsworth's service portfolio. Claude Bigras, President and CEO of GDI, commented, "Airtron is a highly strategic acquisition for Ainsworth, and will allow GDI to offer energy efficiency services, real-time intelligence and remote management of a facility's building systems, enabling us to assist our clients to maximize asset performance, reduce operating costs, increase environmental responsibility and ensure consistent customer/employee comfort. Additionally, Airtron strengthens Ainsworth's platform in certain regions that are key markets for GDI."
- ▶ **KONE acquires Downey-Goodlein Elevator (November)** – The US subsidiary of KONE Oyj (KONE), a leader in the elevator and escalator industry, recently acquired the service and repair business of Downey-Goodlein Elevator for an undisclosed amount. In 2016, KONE has made five acquisitions within the US. "The acquisition of Downey-Goodlein supports our goal of growing KONE's presence across key geographic regions like the Northeast," said Larry Wash, EVP for KONE Americas. "The Rochester New York area represents a new market for KONE and we're excited to welcome Downey-Goodlein employees in helping us bring innovative People Flow solutions to our customers."

MRO: SELECT M&A TRANSACTIONS

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
01/17/17	Hetsco	Chart Lifecycle	Offers specialty welding, construction and repair services.	\$22.0	-	-
01/17/17	Prime Resins	Universal Sealants	Manufactures specialty chemicals and equipment for infrastructure construction and repair.	-	-	-
01/17/17	United Brass Works	Bradford Equities	Manufactures bronze, ductile iron and carbon steel valves.	-	-	-
01/16/17	Rock-Tred	ICP Construction	Manufactures polymer floor coating solutions that repairs, maintains and protects floors.	-	-	-
01/10/17	Paul Davis National	Paul Davis Restoration	Provides site stabilization, water extraction, structural drying and structural repair and reconstruction.	-	-	-
01/04/17	Seal Industries	PSC Industrial Outsourcing	Offers technical repair and compliance services in refineries and petrochemicals.	-	-	-
01/02/17	BAE's SF Ship Repair Business	Puglia Engineering	Offers ship repair services.	-	-	-
12/23/16	Thornton Service	Service Logic	Provides facility services such as commercial HVAC maintenance and repair.	-	-	-
12/14/16	Cross-Midwest Tire	Pomp's Tire Service	Provides tire repair and emergency road services for commercial fleets.	-	-	-
12/06/16	JB Roofing	Tecta America	Provides roof service and maintenance.	-	-	-
12/06/16	Svendsen's Boat Works	Bay Ship & Yacht	Offers repair services to boaters.	-	-	-
11/30/16	Merit Service	Eureka Growth Capital	Provides managed exterior facilities services.	-	-	-
11/29/16	Emercole Metro	Metropolitan Industries	Manufactures concrete repair chemicals and waterproofing solutions.	-	-	-
11/18/16	Total Equipment And Service	Gardner Denver Petroleum Pumps	Manufactures, services and repairs oilfield equipment.	\$17.5	-	-
11/15/16	Mattic Industries	Lawson Products	Supplies fasteners, MRO equipment and tooling products.	-	-	-
11/15/16	Bit Stew	GE Digital	Provides data intelligence that solves the data integration needs of the industrial internet of things.	\$153.0	-	-
11/14/16	ServiceMax	GE Digital	Develops cloud-based software that helps companies to manage contracts, repairs and parts.	\$915.0	-	-
11/10/16	EnSite Solutions	Cushman & Wakefield	Provides system maintenance, repair and facility management services.	-	-	-
11/03/16	PCT Contracting	NAPEC	Provides installation, maintenance and repair services of natural gas utilities.	\$33.0	0.8x	5.1x
11/03/16	NE Wholesale Nail & Fastener	PrimeSource Building	Supplies building products to independent lumber yards and STAFDA tool stores.	-	-	-
11/02/16	Airtron Canada	Ainsworth	Provides services for HVAC, building automation systems and energy services.	\$14.6	0.2x	-
11/01/16	Downey-Goodlein	KONE	Offers maintenance, repair and safety testing services for hydraulic and traction elevators.	-	-	-
10/14/16	Terra Millennium	Court Square Capital	Provides industrial services to energy, industrial metal, mineral processing, petrochemical and steel industries.	-	-	-

MRO: SELECT M&A TRANSACTIONS (CONTINUED)

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
10/07/16	Ray Omo	Waldinger	Offers contracting services for air-conditioning repair and installation.	-	-	-
10/05/16	Knorr Systems	PlayCore	Provides equipment, services and daily operational maintenance for aquatic facilities.	-	-	-
09/14/16	Meridium	General Electric	Provides asset performance management software and services.	-	-	-
09/01/16	City Elevator	KONE	Provides elevator maintenance, modernization and installation services.	-	-	-
08/15/16	Chromate Industrial	Winzer	Distributes maintenance, repair and operations supplies for industrial facilities.	-	-	-
08/09/16	MECA & Technology	May River Capital	Manufactures tight tolerance machined components for industrial, flexographic and converting industries.	-	-	-
08/05/16	Dbi Services	Sterling Partners	Provides infrastructure maintenance, operations and management solutions.	-	-	-
08/03/16	Great Lakes Fasteners	All Integrated Solutions	Distributes fasteners and industrial components and provides managed inventory programs.	-	-	-
08/01/16	Solo Mechanical	Air Temp Mechanical	Installs and services industrial air conditioning, heating, refrigeration and ventilation systems.	-	-	-
07/27/16	Florida Marine Power	Kali	Provides marine repair services.	-	-	-
07/26/16	Powertrain Industries	Dorman Products	Offers a line of repair components including driveshaft parts.	\$15.0	-	-
07/22/16	Weather Crafters	ARS	Installs and services heating and air conditioning systems.	-	-	-
07/22/16	Granite City Tool	GranQuartz	Manufactures tools, polishing products and repair products for the stone industry.	-	-	-
07/19/16	Powerhouse Maintenance	Dubin Clark	Repairs and maintains commercial parking lots.	-	-	-
07/15/16	Air Relief	Pelican Energy Partners	Provides centrifugal air compressor parts and services.	-	-	-
06/29/16	Wave Marine & Yacht	Kali	Offers repair and cleaning services for boats.	-	-	-
06/14/16	LB Foster's Service Assets	Whiting	Offers locomotive repair and service solutions.	-	-	-
06/01/16	Elevators Unlimited Assets	KONE	Offers elevator repair services.	-	-	-
06/01/16	Summit Inspection	Bureau Veritas	Provides leak detection and repair services.	-	-	-
05/20/16	Moore Air Conditioning	Gac	Provides heating and air conditioning repair services.	-	-	-
05/19/16	Southern Air & Heat	MSouth Equity	Offers repair and installation services to the heating, ventilation and air conditioning sectors.	-	-	-
05/18/16	Lee's Refrigeration	Carlson & Stewart Refrigeration	Offers refrigeration equipment installation and repair services.	-	-	-
05/06/16	Midwest Foundation	Byrne & Jones Enterprises	Offers bridge construction and rehabilitation, dock repairs and lock and dam rehabilitation services.	-	-	-

CAPSTONE PARTNERS: SELECT MRO TRANSACTIONS

<p>CONFIDENTIAL</p> <p>corporate sale (IN PROCESS)</p> <p>DISTRIBUTES MECHANICAL FASTENERS</p>	<p>CONFIDENTIAL</p> <p>corporate sale (IN PROCESS)</p> <p>FIRE SUPPRESSION SYSTEMS</p>	<p>CONFIDENTIAL</p> <p>corporate sale (IN PROCESS)</p> <p>EMISSIONS CONTROL SYSTEMS</p>	<p>CONFIDENTIAL</p> <p>corporate sale (IN PROCESS)</p> <p>SECURITY SYSTEMS INTEGRATOR</p>
<p> FRIEDRICH 1883</p> <p>has been acquired by</p> <p> Corinthian Capital</p>	<p>VAPOR POWER INTERNATIONAL</p> <p>has been acquired by</p> <p> TAG EQUITY PARTNERS</p>	<p> SAFETY SERVICES COMPANY</p> <p>has recapitalized with</p> <p> Serent CAPITAL</p>	<p>Portsmouth Paper Company</p> <p>has been acquired by</p> <p> Corporate Express</p>
<p> G&B Gear & Broach</p> <p>has been acquired by</p> <p> FastenTech</p>	<p>E-Mon[®] a division of HUNT CAPITAL</p> <p>has been acquired by</p> <p> BRANFORD CASTLE, INC.</p>	<p> UNIVERSAL a division of Cummins</p> <p>has been acquired by</p> <p>STIRLING GROUP, LLC</p>	<p> ERS</p> <p>has been acquired by</p> <p>HYDE PARK HOLDINGS LLC</p>
<p> WebGen Systems</p> <p>has secured \$9,500,000</p> <p>SERIES B CONVERTIBLE PREFERRED STOCK</p>	<p> WACHS E.H. WACHS Superior Equipment. Complete Support.</p> <p>has been acquired by</p> <p> ITW</p>	<p> AVE TEK INC.</p> <p>has been acquired by</p> <p> FIDELITY CAPITAL INVESTORS</p>	<p> BISCO Irrigation and Pumping Equipment</p> <p>valuation and financial advisory</p> <p>BOSTON IRRIGATION SUPPLY COMPANY</p>
<p> L-com</p> <p>has recapitalized with</p> <p> Riverside</p>	<p> SURV</p> <p>has been acquired by</p> <p> securadyn systems</p> <p>a portfolio company of  PAMLICO CAPITAL</p>	<p> MilesTek</p> <p>has been acquired by</p> <p>CASTLE ISLAND PARTNERS, LLC</p>	<p> AW COMPANY</p> <p>has been acquired by</p> <p>INDUSTRIAL GROWTH PARTNERS</p>

THE MRO TEAM



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David is a Managing Director in charge of the Western Region, based out of Orange County. Prior to Capstone, David managed the Western region for Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. David has focused on middle market investment banking for nearly 30 years and has been the lead banker in over 250 M&A transactions involving both domestic and foreign corporate buyers, as well as leveraged recaps with private equity sponsors. David's achievements in investment banking have gained national recognition by The M&A Advisor: one of his transactions was awarded the "Private Equity Deal of the Year," while another was recognized as the "Energy Deal of the Year." Mr. Bench has also been awarded "Middle Market Financing Professional of the Year," an award recognizing M&A's most accomplished professionals. Mr. Bench holds a BS and an MBA in Finance from Brigham Young University. He is a Series 7 and 63 Registered Securities Representative and a Series 24 Registered Securities Principal.



Tracy Patch, Vice President
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Tracy is a Vice President in the Orange County office, supporting the management of the Western Region. Prior to Capstone, Tracy worked as a senior banking professional in Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. She possesses over ten years of experience in middle market investment banking, working on both domestic and cross-border transactions. Her previous finance experience includes working in the hedge fund industry with Collins/Bay Island Securities LLC and Talisman Capital. Prior to that, Mrs. Patch worked with institutional fixed income sales at Vining Sparks IBG, LP and Robert Thomas Securities, Inc. She also was a manager at The Disney Company. Mrs. Patch holds an MBA from Pepperdine University and a BS in Finance from Miami University of Ohio. She is a Series 7 and 63 Registered Securities Representative.



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Christopher is an Associate in the Orange County office. He supports management and clients in the Western Region. Christopher is engaged in the execution and advisory of mergers, acquisitions and strategic capital raises. Prior to joining Capstone, he was an associate with a boutique M&A firm focused on valuation, M&A advisory, corporate finance, acquisition target research and exit-planning strategy. His industry experience includes manufacturing, healthcare, TMT and consumer. Christopher was also a research analyst in the M&A department at United Capital Financial Advisors. He earned a BA from the University of San Diego. Christopher is a Registered Securities Representative having passed the FINRA Series 79 and 63 examinations.

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ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is an award-winning investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. Over the past 15 years, Capstone has earned a reputation as one of the most innovative firms in the industry, offering corporate sale & divestiture, merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. The firm maintains seven industry practices, including: Business Services, Consumer Products, Education & Training, Government Services, Health & Medical, Manufacturing & Industrial, and Technology & Telecom. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, New York, Orange County, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in 70 offices across 31 countries.

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about our expertise,
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Capstone Partners

World Class Wall Street Expertise. Built for the Middle Market