Industrials Industry

Middle Market Deal Activity & Outlook

Mergers & Acquisitions **2021**

Pandemic Tailwinds and End Market Growth Fuel Elevated Deal Activity

Sector Insights

Chemicals
Environmental, Health & Safety
HVACR Equipment
HVACR Services
Metals and Metals Processing & Manufacturing
Packaging
Precision Manufacturing
Waste & Recycling

Industry Insights

M&A Overview
Public Market Valuations
Valuation Drivers
Macroeconomic Trends



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EH&S, Packaging, Precision Manufacturing

Capstone-Advised Transaction Highlights

Provider of commercial HVAC and MEP services
SCFS Mechanical · Electrical · Plumbing
HAS BEEN ACQUIRED BY
ServiceLogic
A PORTFOLIO COMPANY OF
LGP | Leonard Green & Partners

Comprises monomer and polymer business assets
DELTECH LLC
HAS BEEN ACQUIRED BY
SK CAPITAL

Provider of heating equipment and services
ONEX
HAS BEEN ACQUIRED BY
Onex Inc. Employee Stock Ownership Plan

Distributor of HVACR products
POWRMATIC
A portfolio of
STAMM INTERNATIONAL
HAS BEEN ACQUIRED BY
GROUPE DESCHÊNES

Provider of energy services
nationalgrid
HAS DIVESTED
Metro Energy
MUSS DEVELOPMENT LLC

Provider of HVAC and plumbing services
ROGERS
HAS BEEN ACQUIRED BY
CREEPY WORK CAPITAL

Provider of auto maintenance services
SUN DEVIL AUTO
HAS BEEN ACQUIRED BY
GB Auto Service, Inc.
a portfolio company of
GREENBRIAR EQUITY GROUP, L.P.

Manufacturer of specialty forgings and flanges
WESTERN FORGE & FLANGE CO
HAS BEEN ACQUIRED BY
WC WYNNCHURCH | CAPITAL

Comprises sound masking business
LENCORE
COMFORT · PRIVACY · INTELLIGIBILITY
HAS BEEN ACQUIRED BY
ambient communications

Provider of precision machined parts
mmi doors
HAS BEEN ACQUIRED BY
ARCH
a portfolio company of
The Jordan Company

Provider of precision manufacturing services
EB INDUSTRIES
HAS BEEN ACQUIRED BY
MCM

Supplier of safety products
SS SUPPLIES & SOLUTIONS
"We Take It Personally"
HAS BEEN ACQUIRED BY
TOTAL SAFETY
a portfolio company of
LITTLEJOHN & CO.

Provider of flexible ventilation solutions
ABC
a portfolio company of
CID CAPITAL
HAS BEEN ACQUIRED BY
Branford Castle Partners

Manufacturer of gel ice refrigerants
PELTON SHEPHERD INDUSTRIES
HAS BEEN ACQUIRED BY
CHAMPLAIN

Distributor of cutting tools
CUTTING TOOLS INC
HAS COMPLETED AN OWNERSHIP TRANSITION

Awards & Accolades

2021 — INVESTMENT BANKING FIRM OF THE YEAR — The M&A Atlas Awards

2020 — INVESTMENT BANKING FIRM OF THE YEAR — The M&A Atlas Awards

2020 — MID-MARKET INVESTMENT BANKING FIRM OF THE YEAR — ACQ5 Global Awards 2020

2020 — MIDDLE MARKET INVESTMENT BANK OF THE YEAR — M&A Today 2020 Winner

2020 — CORPORATE RESTRUCTURING FIRM OF THE YEAR — ACQ5 Global Awards 2020

2019 — INVESTMENT BANKING FIRM OF THE YEAR — The M&A Advisor International Awards

2019 — INVESTMENT BANKING FIRM OF THE YEAR — The M&A Advisor International Awards

2019 — GLOBAL M&A MIDDLE MARKET INVESTMENT BANK OF THE YEAR — The M&A Atlas Awards

2019 — INDEPENDENT INVESTMENT BANKING FIRM OF THE YEAR — Global Awards

2018 — US DEBT FINANCING ADVISORY OF THE YEAR — ACQ5 Global Awards 2018

Industrials M&A Overview

43%
Deal Volume Increase

75%
Deal Value Increase

Transaction Statistics

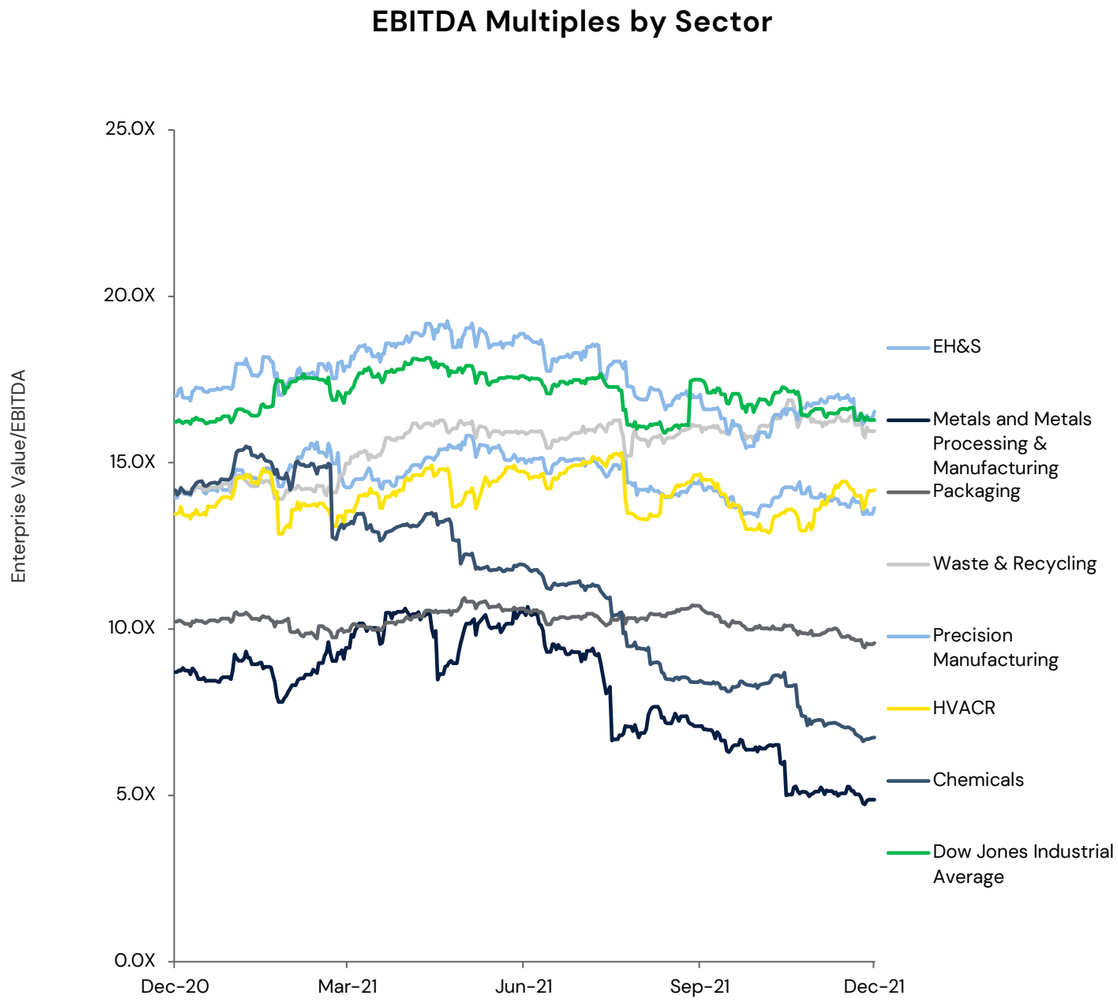
10.8x
Average EBITDA

62%
Strategic Buyers

$79M
Average Transaction Value

38%
PE Platforms or Add-Ons

Public Market Valuation Breakdown



Chemicals: AKZA,AKE, 3407, BAS, DOW, DD, EMN, 1301, A051910, LYB, PPG, 2010, 338; Environmental, Health & Safety: ALS, CLH, DLTA, 6745, ITRK, MSA, NVEE; HVACR: AOS, CARR, 6367, DOV, FIX, HSC, IR, JCI, A066570, LII, MOD, NTK, TT, WSO; Metals and Metals Processing & Manufacturing: B, CMC, KALU, MLI, NUE, RS, RYI, SCHN, STLD, TMST, WOR, ZEUS; Packaging: AMC, AVY, BLL, BERY, CCK, GPK, IP, MNDI, OI, PKG, SEE, SK3, SON, WRK; Precision Manufacturing: ATCO A, AME, CFX, CLS, CMI, GWW, ITW, LECO, SAND; Waste & Recycling: CHRA, CLH, CVA, CWST, DAR, ECOL, GFL, RSG, SRCL, WCN, WM
Source: Capital IQ and Capstone Research

Industrials M&A Volume Proliferates

Year-to-date (YTD), merger and acquisition (M&A) activity in the Industrials sector has surged, with transaction volume rising 43% year-over-year (YOY), a significant recovery from the COVID-impacted deal activity in 2020. The reopening of the economy, pent-up M&A demand, potential implications of a capital gains tax increase, and frothy M&A purchase multiples have encouraged many business owners to go to market and take advantage of the seller-friendly environment. YTD, total deal values have increased 74.9% YOY, with buyers paying premiums for quality businesses in defensible end markets. This contrasts with 2020's environment when many strategics refrained from engaging in M&A to focus on protecting existing assets and private equity (PE) firms focused on supporting portfolio companies.

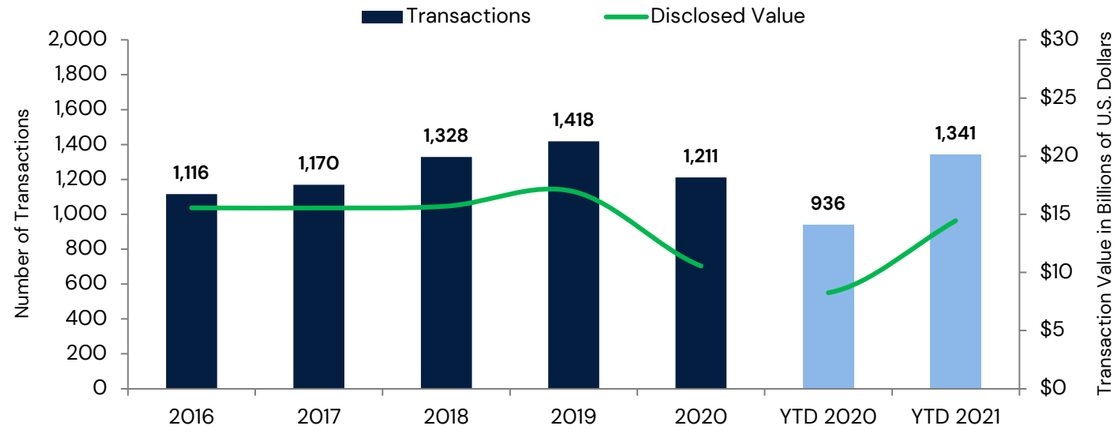
Strategic buyers have led deal activity in 2021 (61.7% of deals announced or completed to-date) as buyers have pursued accretive targets with complementary offerings and exposure to growing end markets. Financial buyers have also remained active, with PE firms pursuing add-on acquisitions (28.6%) to bolster the market share of portfolio companies or completing direct investments (9.7%) to gain exposure to industries with strong growth dynamics. With historic dry powder levels and favorable interest rate conditions, PE firms are expected to remain very active in 2022.

While it is possible that a potential increase in interest rates could hinder deal activity, it is not yet evident to us. Due to the abundance of assets going to market this year, "story deals," or deals with complications were not popular in 2021. However, we expect such deals will get more attention in 2022 as buyers work through their prioritized acquisition pipelines. Regardless, Capstone's intricate knowledge of the buyer universe, industry valuations, and coveted target company characteristics will continue to enable business owners to maximize financial outcomes at every stage of the business lifecycle. Click here to begin a conversation with one of our experts.



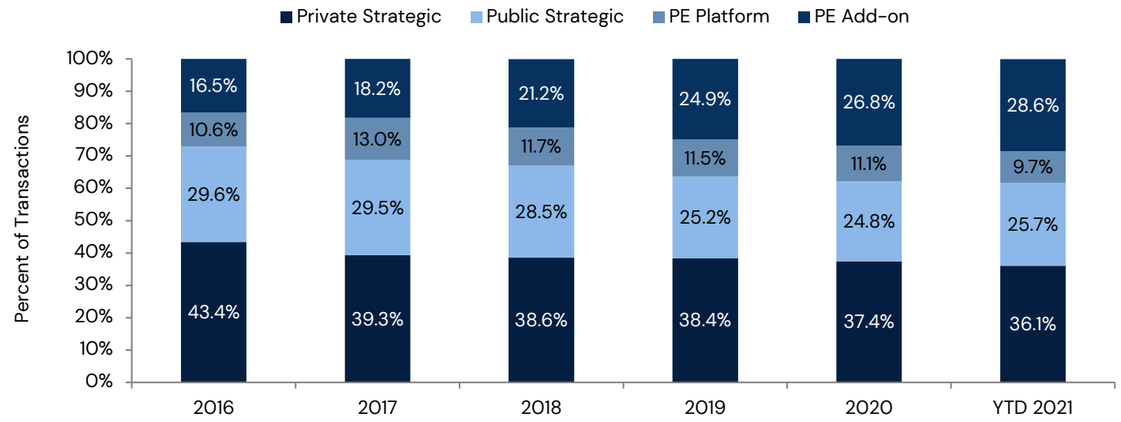
M&A Volume Increases 43% Year-over-Year

Transaction volume has proliferated in 2021 YTD with buyers seeking exposure to markets with favorable pandemic tailwinds and business owners looking to expedite liquidity event timelines ahead of potential capital gains tax increases.



Private Strategic Buyers Comprise Majority of Transactions

Private strategics continue to account for the greatest share of industrials transactions. However, private equity buyers have become increasingly active, with add-on deals comprising a larger share every year since 2016.



Year-to-date (YTD) ended October 26
Source: Capital IQ and Capstone Research

Transaction Valuations Continue to Rise

Average EBITDA multiples for industrials transactions have rebounded, surpassing historic levels to reach 10.8x in 2021. Buyers have demonstrated a willingness to pay premiums for assets with healthy financials that have proven resilient amid the pandemic-induced economic downturn. Average industrials transaction EBITDA multiples dipped to 9.2x in 2020 from 10.6x in the previous year as buyers were hesitant to pay premiums amid economic uncertainty, manufacturing shutdowns, supply chain disruptions, and volatile profit margins due to input price inflation.

To-date, strategic buyers have paid premium prices for businesses that diversify offerings, enhance end market exposure, establish economies of scale, create synergies, and strengthen supply chains. PE buyers have demonstrated a willingness to pay more for businesses that align with their investment theses, penetrate growing segments, or enhance the market share of portfolio companies. Acquisition multiples are expected to remain high in the near-term as the universe of buyers pursuing deals remains extensive and debt capital continues to be readily available at attractive rates.

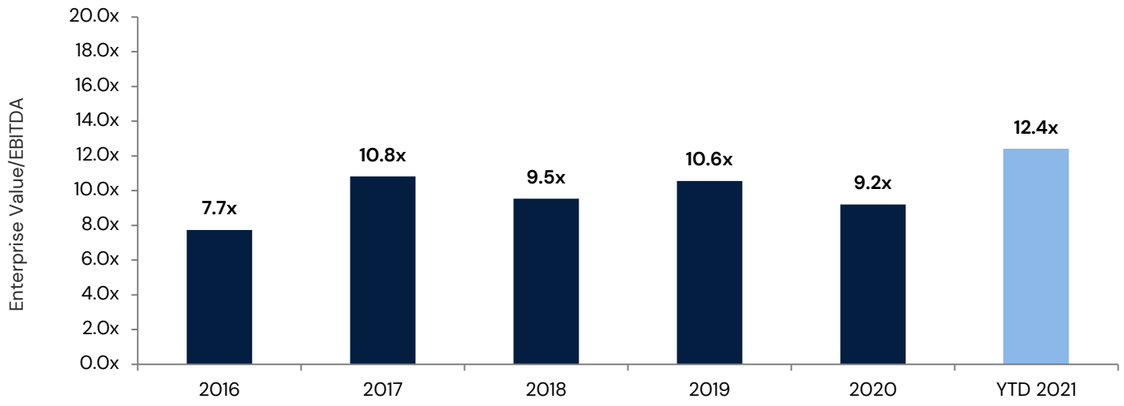
Due to the surplus of coveted assets and record levels of capital overhang, lenders have increased leverage in order to win deals, as evidenced by a rise in Manufacturing industry debt multiples from 3.5x in the prior year quarter to 3.9x in Q2 2021. Capstone expects bidders to continue to utilize leverage to win deals in the near-term, with the Fed expected to wait to raise interest rates until bond purchases stop in the summer of 2022.

Capstone's Debt Advisory Group helps privately-owned and sponsor-backed companies secure debt capital or leveraged finance for organic growth, acquisitions, dividend recapitalizations, and refinancings. Contact us to learn more about the debt environment and how our team can help your business.



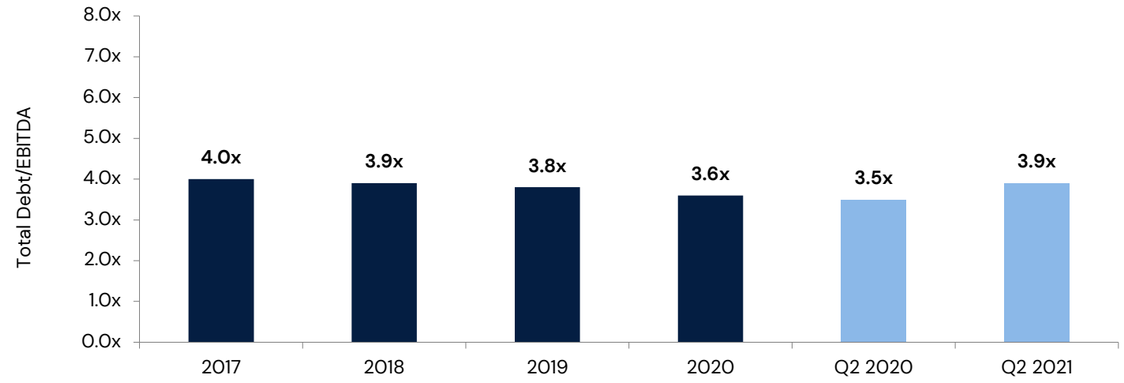
Average Industrials M&A EBITDA Purchase Multiples

Average EBITDA purchase multiples have reached 10.8x in 2021 YTD, outperforming historic levels as strategics and private equity buyers have demonstrated a willingness to pay elevated prices for high-quality targets.



Average Debt Multiple of Middle Market Manufacturing LBO Deals

Average debt multiples stand at 3.9x through Q2 2021, improving from 3.8x in 2020 as the supply/demand imbalance of high-quality assets and debt availability have allowed lenders to increase leverage to win deals.



Year-to-date (YTD) ended October 26
Source: Capital IQ, GF Data®, and Capstone Research

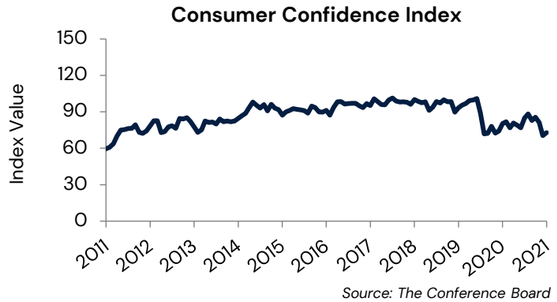
Macroeconomic Backdrop

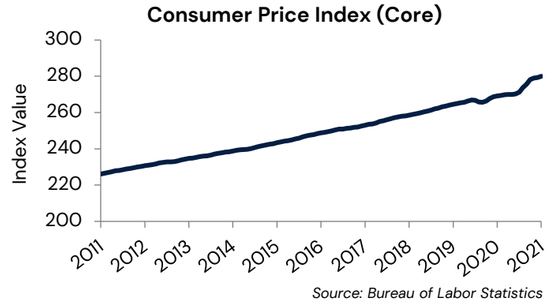
At the onset of the pandemic, many manufacturers were forced to temporarily shutdown or operate below full capacity and consumers reduced spending amid economic uncertainty, hindering downstream demand for discretionary goods. However, after the initial shock at the height of the pandemic, businesses began to reopen fueling a resurgence of economic activity, evidenced by the 33.8% rise in gross domestic product (GDP) in Q3 2020 from Q2, according to the Bureau of Economic Analysis (BEA).[1] Personal consumption expenditures through September 2021 increased 10.9% YOY (BEA)[2] supported by rising per capita income and the issuance of direct stimulus aid from the Internal Revenue Service (IRS). The rise in consumption has translated to a surge in downstream demand, illustrated by a 14.9% YOY rise in manufacturers' new orders in September 2021, according to the U.S. Census Bureau.[3]

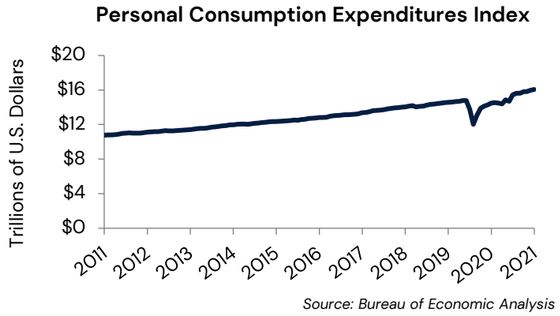
While the continued reopening of the economy provides a favorable outlook for the Industrials industry, several factors are expected to limit near-term growth, including labor shortages, supply chain disruptions, and continued uncertainty surrounding COVID-19. Notably, the consumer confidence index fell 9.4% YOY in September 2021 (BEA)[4], likely due to concerns over the delta variant and inflation. Sourcing raw materials and retaining employees have proved to be substantial challenges for Industrials & Manufacturing companies in 2021, with 50.6% of respondents in Capstone's Middle Market Business Owner Survey indicating that supply chain disruptions were the top challenge over the past three months (ended August). Manufacturers will continue to struggle to maximize output due to labor shortages, with the unemployment rate remaining above pre-pandemic levels at 4.6% in October, according to the Bureau of Labor Statistics (BLS).[5] Rising material prices, as evidenced by a 15.2% increase in the Manufacturing producer price index (BLS),[6] have also limited growth, narrowing profit margins for industry participants.

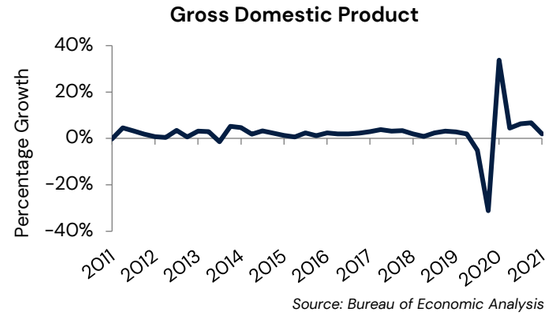
In March 2020, the U.S. Federal Reserve cut its short-term benchmark rate to near zero and began buying at least $80 billion in treasury bonds and $40 billion in mortgage-backed securities to stabilize financial markets and hold down longer-term interest rates, according to *The Wall Street Journal*.[7] However, due to bottlenecks and prices rising faster than anticipated, evidenced by a 4% rise in the core consumer price index in September YOY (BLS)[8], the Federal Reserve announced that it plans to reduce its bond purchases by $15 billion per month beginning in November and ending the expansion of its $8.6 trillion asset portfolio by June 2022. With its goal of maximum employment and a 2% annual inflation rate top of mind, the central bank has indicated that it does not plan to begin raising interest rates before its bond purchases expire in the summer of 2022. Capstone expects elevated M&A activity leading up to the rate hike as lenders aim to capitalize on the current debt environment. Continued economic growth and the recovery of battered end markets provide a favorable outlook for the Industrials industry in the near-term.

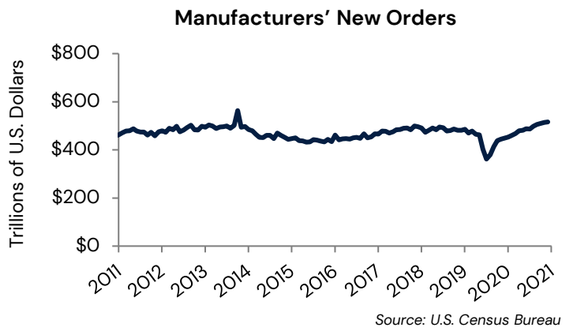
Macroeconomic Indicators

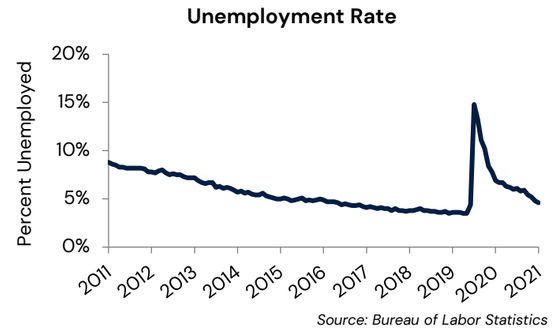


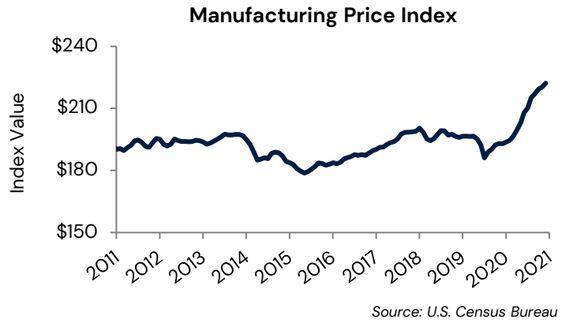


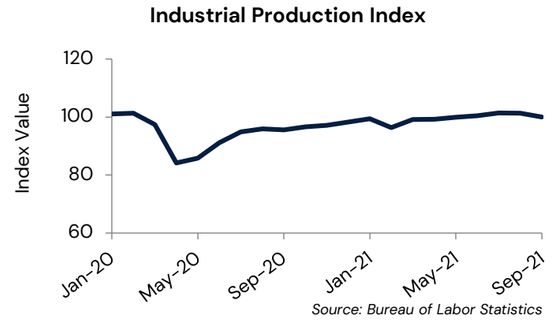














Key Trends and M&A Drivers

Trend #1: Capitalizing on Pandemic Tailwinds

The pandemic has impacted consumer behavior as increased time at home has shifted consumer preferences towards goods and away from services. Exposure to growing end markets is expected to drive industrials M&A activity as companies aim to establish platforms in market segments that have performed well amid the economic downturn.

Means of consumption also shifted as consumers utilized e-commerce platforms as an alternative to in-person shopping. Acquirers are expected to pursue target companies with exposure to online shopping activity.

Trend #2: Strengthening Supply Chains & Reshoring

COVID-19 has tested global supply chains, with government-imposed shutdowns resulting in dislocations and decreased visibility. In addition, manufacturers in sectors such as Disinfectants and Personal Protective Equipment (PPE) were unable to meet the unprecedented demand.

As the economic impacts of the pandemic subside, manufacturers are expected to fortify supply chains and enhance visibility by investing in advanced automation technology, moving production closer to headquarters, and leveraging M&A to integrate operations and create a competitive advantage in their markets.

Trend #3: Shedding Non-core Assets & Businesses

Divestiture activity is expected to continue at a healthy pace as industrials companies continuously reassess their portfolios in order to ensure that all assets align with their long-term growth strategy. In addition, carveout activity is expected to be bolstered by a favorable deal environment with strategics leveraging improved balance sheets and financial buyers, with record levels of capital overhang, looking to put their money to use.

In addition, sellers are expected to continue to expedite their exit timelines to maximize up-front consideration ahead of any potential capital gains tax increases.

Trend #4: Bolstering Sustainable Offerings

Elevated consumer awareness of sustainability practices, rising environmental, social, and corporate governance (ESG) interest, and the prospect of more stringent environmental regulations under the Biden administration are expected to continue to increase demand for sustainable solutions.

Industrials companies that support in the expansion of sustainable products and practices, both organically and through M&A, are expected to experience elevated demand in the foreseeable future. We also expect that companies in higher-polluting sectors will be increasingly pushed to pivot investment towards sustainable solutions that align with growing calls for green production methods.



Trend #5: Improving Margins Amid Rising Prices

Across nearly all segments, industrials businesses are experiencing input price inflation, putting downward pressure on the profit margins for intermediate and final goods. Due to the high demand backdrop, some companies have been able to pass elevated input costs onto the consumer by increasing the price of the good. However, input prices often rise faster than adjustments to the price of the end-good, resulting in immediate margin leakage. In addition, consumers are expected to pushback on manufacturers for non-essential goods if prices for such items continue to increase.

Companies can reduce input costs through horizontal integration, leveraging economies of scale to increase profit margins; or through vertical integration, acquiring material suppliers to reduce overhead and streamline processes.

Trend #6: Meeting Labor Force Needs

Federal stimulus checks exacerbated labor force challenges as many workers opted to collect unemployment rather than work. Despite the economic recovery, the unemployment rate remains at 4.6%, just slightly above pre-pandemic levels.

Many manufacturers are experiencing supply/demand imbalances attributed to rising demand and lower production due to labor force shortages. In addition to paying higher wages, industrials companies are expected to address labor challenges by consolidating competitors to gain skilled workers and adding automation technology that reduces the number of employees necessary for production.



Chemicals

Divestitures and End Market Exposure Propel Elevated M&A Activity

M&A Overview & Outlook

Several specialty chemical product categories benefited from increased demand amid the pandemic, with inputs for disinfection and sanitation, protective equipment, and medical supplies and equipment playing a critical role in fighting the spread of COVID-19. However, total chemical production volume, excluding pharmaceuticals, decreased by 3.6% in 2020 YOY due to manufacturing slowdowns and demand shocks, according to the American Chemistry Council.[9] Through YTD, the industry has recovered with increases in consumer spending, industrial production, and construction activity driving demand across nearly all segments. This trend is expected to continue through year end and into 2022.

The Chemicals industry has experienced a frenzy of deal activity, with 296 transactions announced or closed through November 3, compared to 190 in the same period in 2020. Deal volume has been buttressed by strategics (71.3% of deals) divesting non-core assets or expanding into attractive end markets through M&A. Carveout activity is forecasted to continue as companies reassess their portfolios, shedding businesses that no longer align with their growth strategy. In July, The Chemours Company (NYSE:CC) entered a definitive agreement to sell its Mining Solutions business to Draslovka Holding for $520 million. The divestiture will allow Chemours to focus on the growth of its three principal businesses, Titanium Technologies, Thermal & Specialized Solutions, and Advanced Performance Materials.

Companies have also acquired businesses serving attractive end markets to foster growth. This is evidenced by LANXESS AG's (XTRA:LXS) acquisition of Emerald Kalama Chemical, a leading manufacturer of chemicals for Consumer industries.

Key Subsector Trends

The Global Biocides market size is expected to reach $20.7 billion by 2027, expanding at a CAGR of 6.8%, driven by mounting concerns surrounding environmental protection and public health, according to Allied Market Research.[10] Biocides are used to control microorganisms in water, household & personal care, coatings and various other product categories. COVID-19 has raised awareness regarding the importance of sanitation, presenting an opportunity for disinfectant producers. Capstone expects elevated demand for antimicrobial products to continue, driven by hygiene and cleanliness megatrends, albeit not at the exceptionally high levels experienced at the height of the pandemic.

Chemical companies are typically able to pass rising production costs onto consumers by increasing the prices of goods. However, input costs that rise at a faster pace than product prices hinder profit margins. With chemical demand currently remaining strong despite elevated prices, producers are expected to continue to increase the price of their goods to mitigate against rising raw material prices.

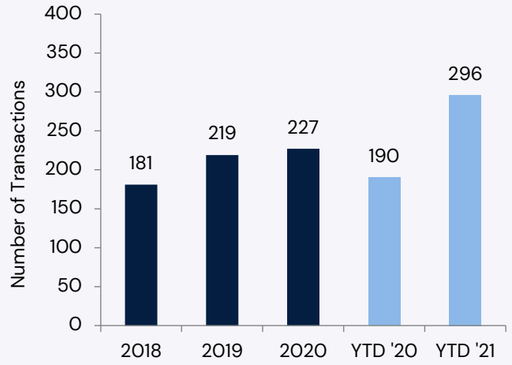
Rising environmental concerns and an increasingly stringent regulatory environment have presented an opportunity for renewable chemical manufacturers. Historically, renewable chemical inputs serving as substitutes for petrochemicals are sold at high prices, limiting the growth potential of the market. However, rising crude oil prices along with escalating climate concerns are expected to drive demand for renewable chemicals in the long term.



Doug Usifer, Managing Director

"Companies that have proprietary capabilities and provide critical roles within their client's supply chains remain in strong demand and are likely to command premium valuations. End market outlook is also critical and for many it was temporarily masked in 2020."

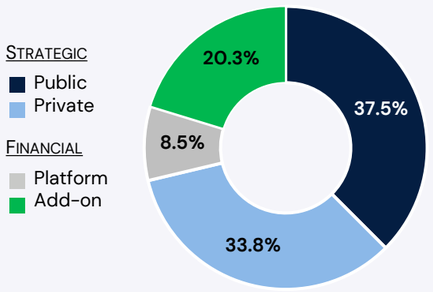
Carveouts Drive Elevated M&A Activity



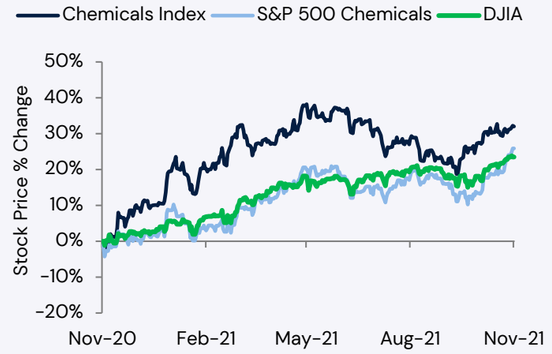
LANXESS Acquires Emerald Kalama Chemical

In August, global specialty chemicals company LANXESS (XTRA:LXS) acquired Emerald Kalama Chemical from PE firm American Securities for $1.1 billion, equivalent to 2.5x last twelve months (LTM) Revenue or 11.9x LTM EBITDA. Emerald Kalama provides chemicals uses in flavor, fragrances and other consumer products. By acquiring Emerald Kalama, LANXESS has strengthened its position in the Food & Beverage, Cleaning, and Cosmetics industries. The transaction is the second largest acquisition that LANXESS has completed, according to the transaction press release.[11]

Year-To-Date Buyer Breakdown



Average Public Company Stock Price



Index includes: AKZA, AKE, BAS, BAYN, DOW, DD, EMN, XOM, LYB, PPG, A051910, 338, 1301, 2010, 3407
Year-to-date (YTD) ended November 3
Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Select Chemicals Transactions

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EV / LTM EBITDA
11/01/21	Water and Waste Specialties	Hawkins (Nasdaq:HWKN)	Distributes water treatment chemicals.	-	-	-
10/28/21	Assets of Eastman (NYSE:EMN)	Synthomer (LSE:SYNT)	Comprises adhesive resins manufacturing business.	$1,000.0	1.7x	10.3x
10/28/21	Flyers Energy	World Fuel Services	Supplies fuels and related lubricants in the U.S.	$775.0	-	-
10/25/21	DTI	Synalloy (Nasdaq:SYNL)	Manufactures specialty chemical products.	$33.0	-	-
10/14/21	Unichem	Key Polymer Corporation	Manufactures specialty adhesives and chemicals.	-	-	-
10/08/21	HydroChemPSC	Clean Harbors (NYSE:CLH)	Provides industrial cleaning and plant maintenance services.	$1,250.0	1.7x	10.9x
10/01/21	Wholesale Fuels Business of Lykins	Colonial Oil Industries	Provides consignment and wholesale fuel services intended for the Residential and Commercial sector.	-	-	-
10/01/21	PremiumShield	Eastman Chemical (NYSE: EMN)	Manufactures paint protection films intended to provide maximum protection for vehicles.	-	-	-
09/30/21	Avitide	Repligen (Nasdaq:RGEN)	Develops a molecule-specific affinity purification technology designed to improve drug safety.	$150.0	-	-
09/30/21	Assets of ALTIVIA Chemicals	USALCO	Comprises chemical manufacturing business facility for water treatment.	-	-	-
09/28/21	Specialty Polymers	Sherwin-Williams (NYSE:SHW)	Offers emulsion polymers for the Coatings industry.	-	-	-
09/27/21	Rit-Chem	CHEMSPEC	Distributes chemicals for the Performance and Life Science sectors.	-	-	-
09/27/21	Kraton (NYSE:KRA)	DL Chemical	Manufactures and sells styrenic block copolymers, specialty polymers, and other products.	$2,568.0	1.5x	8.8x
09/27/21	Inert Gas Injection	Liphatech	Manufactures pest control systems intended to kill burrowing rodents.	-	-	-
09/09/21	Plain Sight Innovations	Comstock Mining	Produces cellulosic ethanol, renewable diesel and crystalline graphite products.	$26.0	-	-
09/07/21	Vector Laboratories	Thompson Street Capital Managers	Provides innovative labeling and detection solutions to the scientific community.	$124.0	-	-
08/31/21	Assets of Ashland	Arkema (ENXTPA:AKE)	Comprises performance adhesive business.	$1,650.0	-	20.1x
08/23/21	Assets of IFF (NYSE:IFF)	Lanxess	Comprises microbial control business.	$1,300.0	-	13.0x
08/23/21	Assets of Deltech Holdings	SK Capital Partners	Comprises manufacturing business of monomers and polymers.	CF	CF	CF
07/28/21	Novomer	Danimer Scientific (NYSE:DNMR)	Manufactures polyhydroxyalkanoate-based resins and other biodegradable materials.	$152.0	-	-
07/26/21	Assets of The Chemours Co.	Draslovka Holding	Comprises sodium cyanide business.	$520.0	-	-

Blue indicates Capstone advised transaction; CF = Confidential
Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Capstone Partners Advises Deltech Holdings on the Sale of its Monomers, Polymers, and European Business to SK Capital Partners

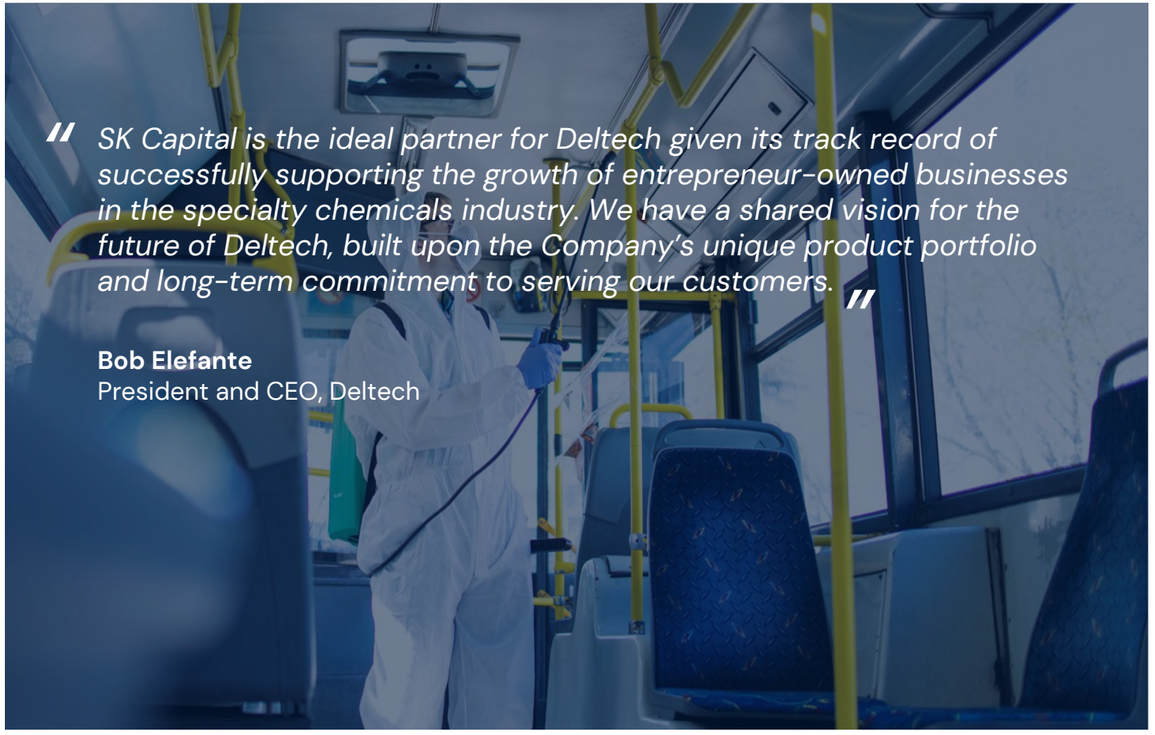
DELTECH LLC

HAS BEEN ACQUIRED BY

SK CAPITAL

Capstone Partners advised Deltech Holdings LLC (Deltech), a producer of enhanced performance aromatic monomers and performance polymers, on the sale of its Monomers, Polymers, and European Businesses to SK Capital Partners, LP (SK Capital).

Deltech began operations in 1988, producing PMS (para-methylstyrene) using a process licensed only to Deltech. In 1992, the plant was expanded to allow production of the complementary methyl styrene product, VT (vinyl toluene). PMS contains 95% para isomer, while VT is a mixture of the meta and para isomers. Methyl styrene monomers provide improved performance in resins and plastics for specialty paints, hydrocarbon resins for adhesives, specialty polymers and unsaturated polyester resins. Read more about the transaction here.



Environmental, Health & Safety

EH&S Service Providers Poised to Benefit from Pandemic Tailwinds

M&A Overview & Outlook

While industry performance was mixed in 2020, environmental, health & safety (EH&S) service providers are forecasted to benefit from favorable tailwinds as the pandemic dissipates and battered end markets recover. M&A activity in the EH&S industry has remained robust in 2021 YTD, evidenced by a 38.3% increase in transaction volume YOY. Product manufacturers (27.7% of targets) and distributors (13.3%) experienced a significant uptick in demand for personal protective equipment (PPE) throughout the pandemic and have attracted interest from both financial and strategic buyers. This is evidenced by Innova Medical Group, Inc., a leading manufacturer of rapid antigen tests and provider of COVID-19 testing solutions, acquiring Pacific PPE Corporation (3PE) in April for an undisclosed sum. 3PE manufactures N95 and other personal protection masks Through the transaction, Innova has enhanced its total solution offering for COVID-19 and other air-borne diseases.

Private equity firms have demonstrated a strong appetite for EH&S providers, largely utilizing add-on acquisitions (39.2% of deals) to bolster sector portfolios. Environmental consulting companies are expected to continue to attract sponsor interest with corporations increasingly prioritizing sustainability amid elevated pressure from consumers as well as state and local governments. In addition, global investment firms have continued to pursue businesses that consider environmental, social, and corporate governance (ESG) impacts. Recently, KKR & Co. Inc. (NYSE:KKR) entered a definitive agreement to acquire ERM Worldwide Group Limited, an environmental consulting firm committed to helping companies achieve their sustainability goals. Terms of the transaction were not disclosed.

Key Subsector Trends

Environmental consulting service providers suffered from reduced demand during the pandemic due to government-imposed shutdowns in high pollution sectors. However, industry participants are poised to capture a resurgence in demand with battered end markets continuing to recover and potential environmental policy changes under the Biden administration. The normalization of the Industrial Production Index bodes well for the industry as elevated activity in Manufacturing, Mining, Electric, and Gas sectors coincides with heightened pollution levels, necessitating environmental consulting services.

Elevated demand for PPE is anticipated due to heightened corporate awareness surrounding health and wellness. PPE spending is forecasted to nearly triple by 2027, according to Research and Markets.[12] Similarly, the Global Surface Disinfectant market size is forecasted to reach $1.0 billion by 2025, expanding at a compound annual growth rate (CAGR) of 9.1% from 2021-2025, according to 360 Market Updates.[13] Workplace safety will be a focal point for employers, particularly as workers begin to return to the office, bolstering demand for PPE and disinfectants.

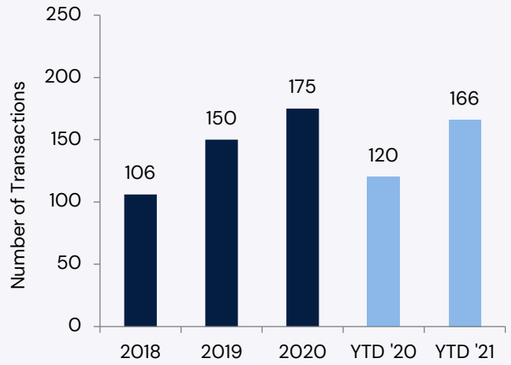
Employees and job-seekers have increasingly utilized online safety and professional training programs in order to learn about safety in the workplace and meet Occupational Safety and Health Administration (OSHA) and Environmental Protection Agency (EPA) requirements. EH&S companies leveraging online training platforms are expected to continue to experience high demand with consumers permanently adopting digital learning methods as a result of COVID-19.



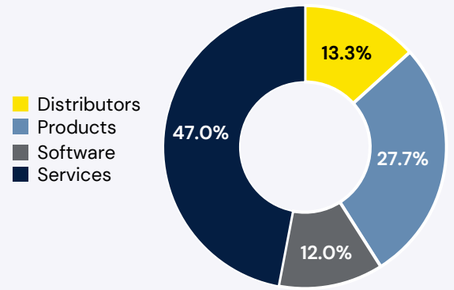
David Bench, Managing Director

"M&A activity in the EH&S space remains robust in 2021. The regulatory tailwinds that bolstered investment in this market over the past decade have accelerated as corporate executives seek to further protect employees and customers in a pandemic environment. This demand has led to continued corporate consolidation for additional health and safety capabilities, which in turn has attracted private equity interest"

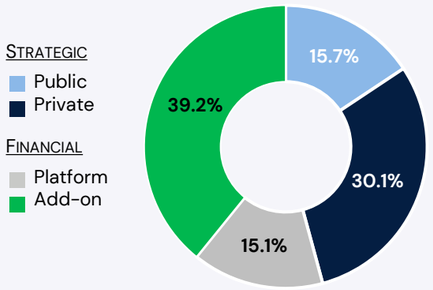
Transaction Volume Rebounds From 2020



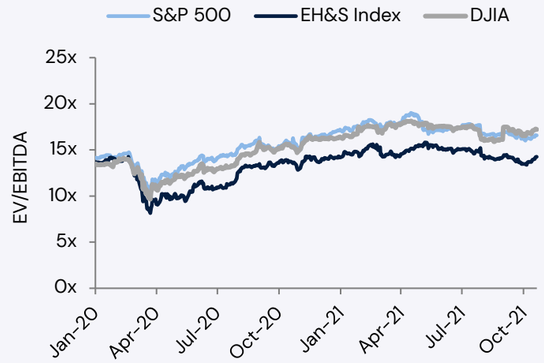
Target Company Breakdown by Segment



Year-To-Date Buyer Breakdown



Average Public Company EBITDA Multiples



Index includes: ALQ, CLH, DLTA, 6745, ITRK, MSA, NVEE
Year-to-date (YTD) ended October 21
Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Select Environmental, Health & Safety Transactions

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EV / LTM EBITDA
10/21/21	All Pro Fire Protection	National Fire & Safety	Provides fire and life safety services to high-rise buildings, hospitals, and warehouses.	-	-	-
10/12/21	Onsite Environmental	Swca Environmental	Provides environmental analytical testing services.	-	-	-
10/01/21	EM Strategies	WestLand Engineering	Provides environmental consulting services.	-	-	-
09/30/21	Edwards-Pitman Environmental	Braun Intertec	Provides environmental compliance consulting services serving Public and Private sector clients.	-	-	-
09/14/21	Gearcor	GMES	Provides PPE and fall protection equipment through e-commerce and directly to businesses.	-	-	-
09/13/21	Tidyware	Becklar	Develops a suite of apps for workforce and personal safety solutions.	-	-	-
09/01/21	RPB Safety	GVS (BIT:GVS)	Offers respiratory protection equipment.	$194.4	5.2x	-
09/01/21	G-Logics	Atlas Geosciences	Provides environmental consulting services.	-	-	-
08/30/21	Tidewater Environmental	Artesian Wastewater	Provides environmental consulting and engineering services for environmental regulation compliance.	-	-	-
08/24/21	Emilcott Associates	Triumvirate Environmental	Provides environmental, health, and safety consulting.	-	-	-
08/17/21	Chicago Protective Apparel	Mechanix Wear	Manufactures personal protective apparel for various industries.	-	-	-
08/10/21	Appriss Insights	Equifax Workforce Solutions	Offers data analytics solutions to improve community and workplace safety.	$1,825	-	-
08/06/21	Gordon R. Archibald	GM2 Associates	Provides civil and environmental engineering consulting services.	-	-	-
08/05/21	My2Tum	Vita Mobile (OTCPK:VMSI)	Offers artificial intelligence-based health and safety software.	-	-	-
08/02/21	Pure Air Control Services	Weatherproofing Technologies	Offers environmental consulting services to indoor environmental and indoor air quality concerns.	-	-	-
07/21/21	Pacific Groundwater Group	Mott MacDonald Group	Provides environmental consulting services to solve complex water resource challenges.	-	-	-
07/20/21	Rapid Fire Protection	Pye-Barker Fire & Safety	Provides environmental consulting solutions for the Energy, Construction, and Transportation industries.	-	-	-
07/06/21	SWAT Consulting	Ambipar Group (BVMF: AMBP3)	Provides environmental consulting services.	-	-	-
07/06/21	Environmental Intelligence	Montrose (NYS: MEG)	Offers environmental and regulatory compliance services.	-	-	-
07/06/21	Sphera Solutions	The Blackstone Group (NYSE:BX)	Provides integrated environmental, health, and safety risk management software.	$1,400	-	-
06/29/21	Trinity Consultants	Oak Hill Capital Partners	Provides environmental consulting services.	-	-	-

Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Select Capstone Partners Active and Closed Engagements

CONFIDENTIAL

CORPORATE SALE

SANITATION PRODUCTS PROVIDER

HAS BEEN ACQUIRED BY

TOTAL SAFETY

HAS BEEN ACQUIRED BY

IDEX CORPORATION



HVACR Equipment

Upgrade and Retrofit Activity Drive Industry Demand

M&A Overview & Outlook

Amid the pandemic, companies in the HVACR Equipment industry endured significant challenges as supply chains were disrupted and contractors were unable to install equipment due to government-imposed lockdowns. However, manufacturers and distributors that have displayed defensibility are forecasted to experience heightened demand as consumer spending continues to rise, evidenced by U.S. personal consumption expenditures increasing 10.9% YOY through September. Operators providing retrofits and upgrades are well-positioned to capitalize on rising demand as consumer preferences shift toward efficient equipment due to climate concerns, cost-saving efficiencies, and elevated awareness surrounding the importance of air quality.

M&A activity has been robust through YTD 2021 with 144 deals announced or completed through October 26, compared to 80 and 64 during the same period in 2020 and 2019, respectively. Strategic buyers comprised 72.2% of deals to-date, with public and private companies utilizing M&A to expand offerings and improve equipment efficiency. The U.S. Heating & Air Conditioning Equipment Manufacturing industry remains fairly concentrated with the top four companies, Trane Technologies (NYSE:TT), Carrier Global Corporation (NYSE:CARR), Johnson Controls (NYSE:JCI), and Lennox International (NYSE:LII) expected to account for more than 50% of industry revenue in 2021, according to IBIS World.[14] However, this concentration is offset by the quantity of smaller companies in the industry, presenting a unique consolidation opportunity for PE firms and PE-backed companies. Capstone expects deal activity to continue at an accelerated pace in 2022 driven by consolidation.

Key Subsector Trends

As consumers shift preferences towards sustainable and less-costly systems, HVACR manufacturers have invested significant resources into the development of tech-enabled equipment to reduce energy use. Industry participants that have developed green building systems and smart technologies offering interconnectivity between equipment such as Johnson Controls (NYSE:JCI) and Schneider Electric (ENXTPA:SU) are positioned to capitalize on heightened demand from building owners looking to benefit from government incentives, reduce their environmental footprint, and cut energy costs. HVACR manufacturers are expected to continue to invest in the development of tech-enabled equipment to optimize energy use and meet the rising demand for sustainable systems.

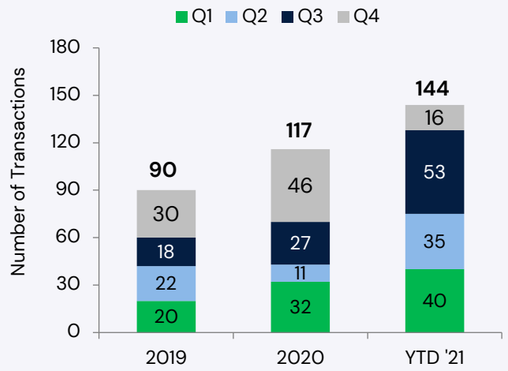
The pandemic has demonstrated the importance of effective HVAC systems with the risk of transmission of COVID-19 greatest in poorly ventilated indoor or confined spaces, according to the Centers for Disease Control and Prevention.[15] This has brought attention to antiquated technology in residential and commercial buildings. A nationally representative school districts survey conducted by the U.S. Government Accountability Office (GAO) found that 41% of districts need to update or replace HVAC systems in at least half of their schools, representing 36,000 schools nationwide, according to GAO.[16] Capstone believes that HVACR equipment companies that provide upgrades and retrofits will be aided by heightened consumer awareness regarding the importance of air quality.



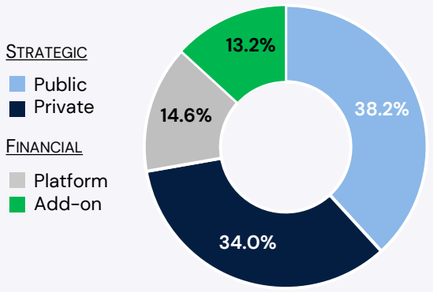
Ted Polk, Managing Director

"M&A activity is expected to remain strong for niche technology providers of energy efficient HVACR equipment."

Transaction Volume Outpaces Prior Year Levels Through Year-to-Date



Strategics Lead Year-to-Date Deal Activity



Notable Transactions

In July, private equity firm Arcline Investment Management acquired a controlling stake in Dwyer Instruments, a manufacturer of innovative sensors and controls for building automation and HVAC industries. Terms of the transaction were not disclosed. Through the transaction, Arcline will capitalize on Dwyer's deep sector expertise and relationships, process and execution excellence, and bespoke position amid a major inflection in demand for air/pressure measurement and control due to COVID-19, according to a press release.[17]

HVACR equipment provider Rheem Manufacturing Company acquired Friedrich Air Conditioning from Monomoy Capital Partners in August (undisclosed). Friedrich, which provides air conditioning solutions, will operate as a standalone unit within the Rheem Global Air business, according to a press release.[18] "Growth by acquisition is part of our ongoing strategy. The addition of Friedrich to the Rheem family of brands will complement our existing business lines, increase our commercial and residential air conditioning offerings, and expand our presence in the hospitality and multi-family segments of our market," said Chris Peel, President and CEO of Rheem, in the press release.

Year-to-date (YTD) ended October 26
Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Select HVACR Equipment Transactions

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EV / LTM EBITDA
11/19/21	Duro Dyne	NSi Industries	Manufactures sheet metal accessories and equipment for the HVAC industry.	-	-	-
10/26/21	EZ-FLO International	Reliance Worldwide (ASX:RWC)	Manufactures and distributes plumbing products and HVAC supplies.	$325.0	1.9x	12.0x
10/11/21	Dynamic Controls	Daikin Applied Americas	Manufactures equipment for the applications of ventilation, air treatment, and climate comfort.	-	-	-
10/07/21	State Mechanical Services	MechanAir Holding	Provides engineering, design, installation, and maintenance services to HVAC businesses.	-	-	-
10/05/21	Hart & Cooley	DuraVent	Manufactures and supplies HVAC products for Residential and Commercial markets.	-	-	-
09/29/21	Greystone Energy Systems	Bemsiq	Manufactures HVAC sensors and transducers for building automation management systems.	-	-	-
09/28/21	Lanair Products	WILsquare Capital	Manufactures and sells air comfort solutions through resellers and online.	-	-	-
09/22/21	Protect Plus Air Holdings	Freudenberg Filtration	Manufactures and sells air comfort solutions in Wisconsin.	-	-	-
09/13/21	Assets of Farrar Scientific	Trane Technologies (NYSE:TT)	Comprises refrigeration equipment manufacturing business.	$365.0	-	-
09/07/21	QBD Cooling Systems	Ronin Equity Partners	Manufactures refrigeration products.	-	-	-
09/01/21	RV Group of Airxcel	Thor Industries (NYSE:THO)	Comprises air conditioning, heating, ventilation, and related appliances manufacturing business units.	$750.0	-	-
08/20/21	ECR International	TerraVest (TSX:TVK)	Manufactures heating and cooling products.	-	-	-
08/11/21	GreenTech Environmental	City Capital Ventures	Provides air purification systems, zone heaters, and energy management solutions.	-	-	-
08/02/21	Wittichen Supply	Gryphon Investors	Distributes HVACR parts and supplies to contractors in the Southeastern U.S.	-	-	-
07/28/21	Shoals Tubular	Lincoln Electric (Nasdaq:LECO)	Provides brazed manifolds for manufacturers of residential heating and air conditioning units.	-	-	-
07/26/21	CS3	Reedy Industries	Provides pre-construction, mechanical/HVAC, piping, plumbing, and custom fabrication services.	-	-	-
07/22/21	Friedrich Air Conditioning	Rheem Manufacturing	Manufactures air conditioners for Residential and Commercial markets.	-	-	-
07/16/21	Haven Home ClimateCare	Right Time Group	Offers residential heating, ventilation, and air conditioning contracting services.	-	-	-
07/02/21	Lathrop-Trotter	Koch Air	Distributes industrial and commercial HVAC products, industrial fans, and blowers.	-	-	-
06/22/21	Nortek Global HVAC	Madison Industries	Manufactures and supplies energy efficient heating systems.	-	-	-
06/16/21	First Class HVAC	Strikepoint Group Holdings	Provides residential HVAC maintenance services based in Millsboro, Delaware.	-	-	-

Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Select Capstone Partners Closed Engagements

POWRMATIC
A portfolio of
STAMM INTERNATIONAL
HAS BEEN ACQUIRED BY
GROUPE DESCHÊNES

nationalgrid
HAS DIVESTED
Metro Energy
TO
MUSS
DEVELOPMENT LLC

ABC
a portfolio company of
CIDCAPITAL
HAS BEEN ACQUIRED BY
BRANFORD CASTLE PARTNERS



HVACR Services

Installation, Upgrade, and Retrofit Demand Benefit Service Providers

M&A Overview & Outlook

Many HVACR service providers struggled at the onset of the pandemic as routine maintenance and installations were put on hold due to government-imposed lockdowns. However, as the economy has continued to recover, industry participants have benefited from heightened demand for the installation of new HVACR equipment fueled by elevated demand for building renovations and healthy demand for new construction. Contractors are also benefitting from an increased focus on effective air filtration systems and rising demand for more connected and energy efficient equipment.

The HVACR Services industry has experienced elevated transaction volume in 2021 YTD, with deal activity outpacing the same period in 2020 and 2019 by 53.3% and 98.9%, respectively. Strategic buyers accounted for 55% of deals announced or completed through October 25 with private and public companies consolidating competitors to expand into lucrative geographies.

Attracted to the fragmented nature of the industry, numerous financial buyers have employed buy-and-build strategies, establishing platforms through direct acquisitions (10.2%) which are expanded upon through tuck-in deals. Tuck-ins have comprised the largest share of transactions to-date (34.8%) as platform companies have used PE funding to enhance the scale and reach of portfolio companies. This is exemplified by Service Champions, a portfolio company of Odyssey Investment Partners that acquired SWAN Heating & Air Conditioning in August (undisclosed). Through the acquisition, Service Champions has expanded its U.S. footprint to the Mountain West and bolstered its capabilities.

Key Subsector Trends

New residential construction has aided installation demand for residential HVACR services providers. Privately-owned housing starts in August were at a seasonally adjusted annual rate of 1, 580,000, rising 9.1% from August 2020, according to the U.S. Census Bureau.[19] Both residential starts and spending are at all-time highs with residential construction spending forecasted to increase by 20% after rising 15% in 2020, according to Economics Behind the Headlines.[20] Capstone expects increasing residential construction activity to continue bolstering demand for HVACR services.

In addition to installations related to new construction, HVACR service providers are more importantly capturing heightened retrofit demand as consumers increasingly upgrade existing equipment to add energy efficient and/or green components. Both consumers and building owners are shifting preferences towards more tech-enabled systems that offer interconnectivity between equipment. Industry participants providing retrofit and upgrade services are getting a lot of market attention due to predictable revenue streams.

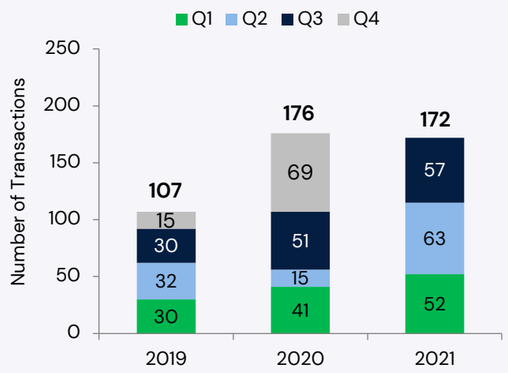
HVACR service providers increasingly prioritized client safety and customer service amid the pandemic. This trend is expected to continue after the pandemic subsides, as companies that provide air purification and other safety protocols and established a positive reputation with clients are expected to outperform competitors. In addition, industry participants with strong client retention can benefit from expanding service offerings, acting as a one-stop-shop for maintenance and repair services.



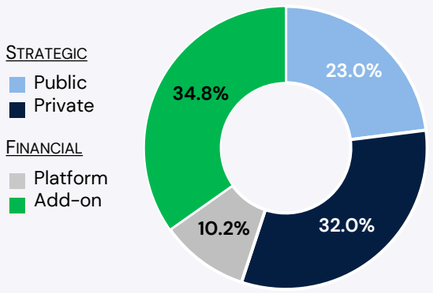
Ted Polk, Managing Director

"The rapid consolidation of the HVAC Services market continued throughout the height of the pandemic and is expected to continue for years to come."

HVACR Services M&A Activity Surges in 2021 To-Date



Add-on Volume Proliferates in Year-To-Date Deal Activity



Active Buyer Spotlight

Founded: 2014
Chief Executive Officer: Jeremy Hetherington
Ownership: Private, PE-backed
Headquartered: Saint Catharines, Ontario
Employees: ~600

Right Time Group, is an HVAC service provider focused on the Residential market that currently comprises over 16 brands throughout Ontario, Manitoba, Alberta, and British Columbia. The company has grown significantly since its 2014 inception, utilizing M&A to bolster its geographic presence. In December 2020, Right Time Group was acquired by Gryphon Investors, a leading middle-market private equity fund, for an undisclosed sum. "Right Time has quickly made a name for itself in this industry with solid organic growth and a clear acquisition strategy that is achieving scale and propelling its expansion in a highly fragmented market," said Jeff Balagna, Exclusive Executive Advisor to Gryphon Investors, in a press release.[21]

Under Gryphon's ownership, Right Time Group has continued to pursue target companies in attractive geographies, acquiring Anchor Home Comfort in August, Haven Home ClimateCare in July, and Comfort Masters in June (terms of transactions were not disclosed). The company has benefited from industry fragmentation, utilizing consolidation to spur growth.

Year-to-date (YTD) ended October 25
Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Select HVACR Services Transactions

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EV / LTM EBITDA
12/10/21	South Coast Facility Services	Service Logic	Provides commercial HVAC, electrical, building automation, plumbing, and energy services.	CF	CF	CF
11/18/21	Premium Home Services	NearU Services	Offers HVAC repair, plumbing, and electrical services for residential and commercial customers.	-	-	-
11/16/21	Arctic Services	CMS Nextech	Provides HVACR services based in the greater Las Vegas area.	-	-	-
11/16/21	Patriot Mechanical	CMS Nextech	Provides HVACR services headquartered in Ashland, Virginia.	-	-	-
11/09/21	Fidelity Engineering	Onex (TSX:ONEX)	Offers a range of mechanical services including HVAC maintenance.	-	-	-
10/29/21	Done Service Group	Radiant Plumbing & Air Conditioning	Offers plumbing and HVAC services.	-	-	-
10/20/21	Howard Enterprises	Service Champions	Provides home cleaning and heating services, which including installation, and indoor air quality services.	-	-	-
10/20/21	Scottsdale Air Heating & Cooling	Service Champions	Provides heating and air conditioning repairs and services.	-	-	-
10/18/21	Furnace Guys	Right Time Group	Provides residential heating, cooling, air quality, and hot water services to homeowners.	-	-	-
10/15/21	The Plumbing & Air Service	Southern HVAC Corporation	Offers plumbing, heating, ventilation, and air conditioning repairing services.	-	-	-
10/05/21	Strittmatter	Granite Comfort Holdings	Provides air conditioning, heating, roofing, and plumbing services on contract basis.	-	-	-
10/04/21	Southern HVAC Corporation	North American Essential Home	Provides AC repair, furnace repair, HVAC sales, and installation services.	-	-	-
10/01/21	Fahrenheit HVAC	Sila Services	Provides heating and air conditioning services for residents of Philadelphia.	-	-	-
09/20/21	The Pimlico Plumbers Group	Neighborly	Offers heating, plumbing, bathrooms, drainage, electrics, and other services.	$220.3	-	-
09/17/21	Thompson of Manatee II	Strikepoint Group Holdings	Provides heating, air conditioning, and plumbing services.	-	-	-
09/14/21	Chiller Systems Service	The Arcticom Group	Provides commercial HVAC services.	-	-	-
09/13/21	Timo's Air	Service Champions	Provides HVAC repairs, services, and installation.	-	-	-
09/10/21	Big Air Heating & Air Conditioning	Bonney Plumbing	Offers heating, ventilation, and air conditioning installation and repair services.	-	-	-
09/09/21	Haley Mechanical	Frontier Service Partners	Provides heating, cooling, plumbing, electrical, and geothermal services.	-	-	-
09/08/21	Air Conditioning Specialist	Hidden Harbor Capital	Offers HVAC and air conditioning services.	-	-	-
09/02/21	L&S Mechanical	The Sterling Group, Current Capital	Operates as a construction plumbing contractor, serving builders and contractors.	-	-	-

Blue indicates Capstone advised transaction; CF = Confidential
Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Select Capstone Partners Active and Closed Engagements

SCFS Mechanical - Electrical - Plumbing
HAS BEEN ACQUIRED BY
Service Logic
Building Efficiency and Sustainability
A PORTFOLIO COMPANY OF
LGP | LEONARD GREEN & PARTNERS

CONFIDENTIAL
DEBT RECAPITALIZATION
HVAC SERVICES PROVIDER

ROGERS Mechanical Contractors, Inc.
HAS BEEN ACQUIRED BY
Craft Work Capital
backed by
Aterian Investment Partners



Metals and Metals Processing & Manufacturing

Metal and Metal Component Demand Soars as Manufacturing Activity Increases

M&A Overview & Outlook

At the onset of the pandemic, companies in the Metals and Metals Processing & Manufacturing industry were challenged as key customers in downstream markets such as Automotive Manufacturing, Construction, and Oil & Gas faced demand shortfalls and temporary shutdowns. However, as manufacturing activity has continued to rise with the reopening of the economy, metal consumption has increased significantly with fabricators struggling to meet unprecedented demand. This has resulted in a significant spike in metal prices as evidenced by the producer price index for iron and steel increasing 101.5% YOY, according to the U.S. Bureau of Labor Statistics.[22] While volatile input prices are expected to hinder profit margins for manufacturers further down the supply chain, Capstone expects demand for metal and metal processing services to remain high as consumer spending in key end markets continues to proliferate.

Strategic buyers have accounted for 61.3% of deals announced or closed through November 4 with public and private companies creating economies of scale through vertical integration. In addition, strategics have utilized M&A to diversify product portfolios, enhance exposure to growing end markets, and expand geographically. This is exemplified by Triple-S Steel Holdings' acquisitions of Rolled Steel Products (June, undisclosed) and Alamo Iron Works (January, undisclosed). The transactions expand Triple-S Holdings' footprint and metal processing capabilities. Financial buyers have also remained acquisitive, comprising 38.7% of deals to-date. Capitalizing on favorable debt market conditions and elevated dry powder, PE firms have utilized M&A to establish portfolios in high-growth segments.

Key Subsector Trends

The continued recovery of the Industrial Production Index forecasts sustained demand for metals and metals processing services. Rising business investment and consumer spending are projected to support the recovery of customers in battered end markets that utilize metal and metal components including Nonresidential Construction and Automotive Manufacturing. Of note, the Personal Consumption Expenditures index has surpassed record levels, reaching nearly $1.6 trillion in September, rising 10.9% YOY.

Rising input prices are expected to continue to limit profit margins for metal processing companies and component manufacturers. As a result, industry participants are forecasted to utilize M&A to gain exposure to higher margin product categories such as Aerospace and Medical Devices. This is exemplified by Re:Build Manufacturing's acquisition of Cutting Dynamics, a metal and thermoplastic component manufacturer. Through the acquisition, Re:Build, an industrial automation company and component manufacturer, has established a platform to bring disruptive technologies to Aerospace and Defense markets.

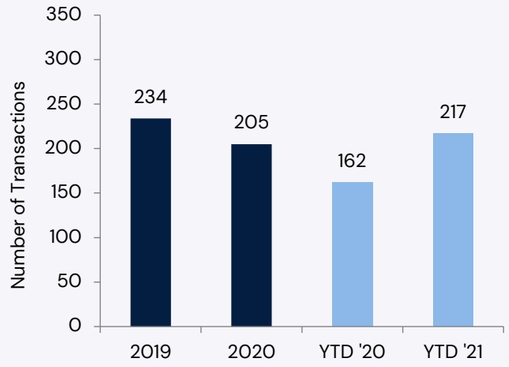
Existing labor shortages in the Metals and Metals Processing & Manufacturing industry have been exacerbated by the pandemic with many workers opting to collect stimulus checks rather than work. Even as additional unemployment benefits wind down, Capstone expects companies to continue to struggle to find skilled labor amid lingering hesitancy to return to in-person work environments.



Mike Schumacher, Managing Director

"Early stages of economic expansion typically see industrial metals price increases, but the flash crash from the early stages of COVID-19 to snap back of economic expansion has caused inflation to reach 60-year highs for certain metals. Upstream materials providers are hitting record profitability while many downstream processers struggle to find material or fully pass through price increases."

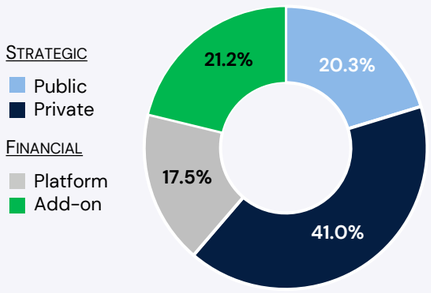
To-Date Deal Activity Outpaces Prior Year Level



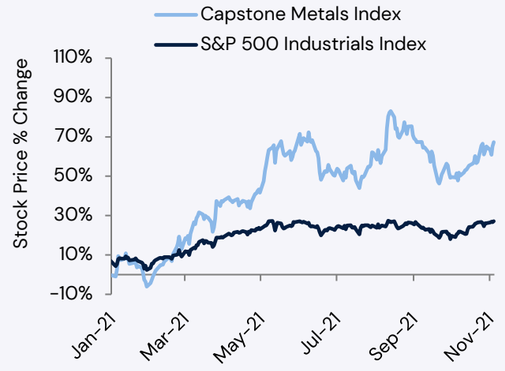
Nucor Expands Product Offerings Through the Acquisition of Hannibal Industries

In August, leading steel and steel product manufacturer Nucor Corporation (NYSE:NUE) acquired Hannibal Industries for an enterprise value of $370 million, equivalent to 6.9x LTM EBITDA. Hannibal Industries manufactures carbon steel tubing and pallet racking systems. Through the acquisition, Nucor has enhanced its capabilities in the growing Warehouse and Distribution market. In addition, Hannibal Industries utilizes a variety of steel products to produce its racking solutions, providing potential supply chain efficiencies with other Nucor businesses.

Strategics Comprise a Majority of Transaction Volume To-Date



Public Companies Record Strong Stock Price Growth



Index includes: B, CMC, KALU, MLI, NUE,RS, RYI, SCHN, STLD, TMST, WOR, ZEUS
Year-to-date (YTD) ended November 4
Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Select Metals and Metals Processing & Manufacturing Transactions

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EV / LTM EBITDA
11/04/21	SMW Manufacturing	Amsted Automotive Group	Manufactures cold forming components.	-	-	-
11/04/21	Assets of Metalx	BlueScope Steel Limited (ASX:BSL)	Comprises steel recycling business.	$240.0	-	-
11/04/21	Boyd Metals of Fort Smith	Russel Metals	Manufactures and supplies stainless steel & carbon steel, aluminum, and industrial products.	$110. 0	-	-
11/01/21	Tempel Steel Company	Worthington Steel of Michigan	Manufactures precision magnetic steel laminations.	$255.0	0.7x	7.2x
10/29/21	PSC Metals	SA Recycling	Processes and recycles ferrous and non-ferrous scrap metals.	$290.0	-	5.4x
10/25/21	Assets of Omaha Steel	Owen Industries	Comprises a steel casting solutions production facility.	-	-	-
10/14/21	Vertex Manufacturing	Printerprezz	Provides CNC machining and manufacturing services.	-	-	-
10/13/21	Geneva Structural Tubes	MKK USA	Manufactures and sells steel pipes.	$24.0	1.1x	-
10/11/21	Ferrous Processing & Trading	Cleveland-Cliffs (NYSE:CLF)	Processes, recycles, and sells scrap metals.	$775.0	-	7.8x
09/27/21	Assets of L.B. Foster	J.D. Fields & Co.	Comprises a steel piling products business.	$24.0	0.6x	-
09/20/21	H.C. Starck	Materion (NYSE:MTRN)	Manufactures metal powders, ceramic powders, and additively manufactured parts.	$380.0	-	-
09/17/21	Assets of Olympic Steel	Venture Steel	Comprises the business of processing flat-rolled metal to domestic automotive manufacturers.	$58.4	-	-
09/07/21	Specialty Metals Processing	Ryerson Holding (NYSE:RYI)	Processes stainless steel, aluminum, titanium, and nickel alloy products in a variety of industries.	-	-	-
08/16/21	Flowform Products business in Billerica	Consolidated Boring	Comprises flowform products business.	$55.0	-	-
07/20/21	Hannibal Industries	Nucor (NYSE:NUE)	Manufactures carbon steel tubing and pallet racking systems.	$370.0	-	$6.9
07/16/21	Kemeera, Inc.	Altimar Acquisition	Provides 3D printing and additive manufacturing.	$1,287.5	-	-
06/16/21	American Zinc Recycling	Befesa (XTRA:BFSA)	Manufactures zinc and zinc-based products.	$450.0	-	-
06/16/21	Assets of TECT Aerospace	Wipro Givon USA	Comprises assets related to the Washington manufacturing facility.	$31.0	-	-
06/07/21	Assets of Cornerstone	Nucor (NYSE:NUE)	Manufactures insulated metal panels.	$1,000.0	-	-
06/01/21	Quickparts	Trilantic North America	Provides on demand manufacturing services to create plastic and metal parts.	$82.0	-	-
05/24/21	Algoma Steel	Legato Merger	Produces and distributes steel products.	$1,084.5	-	-

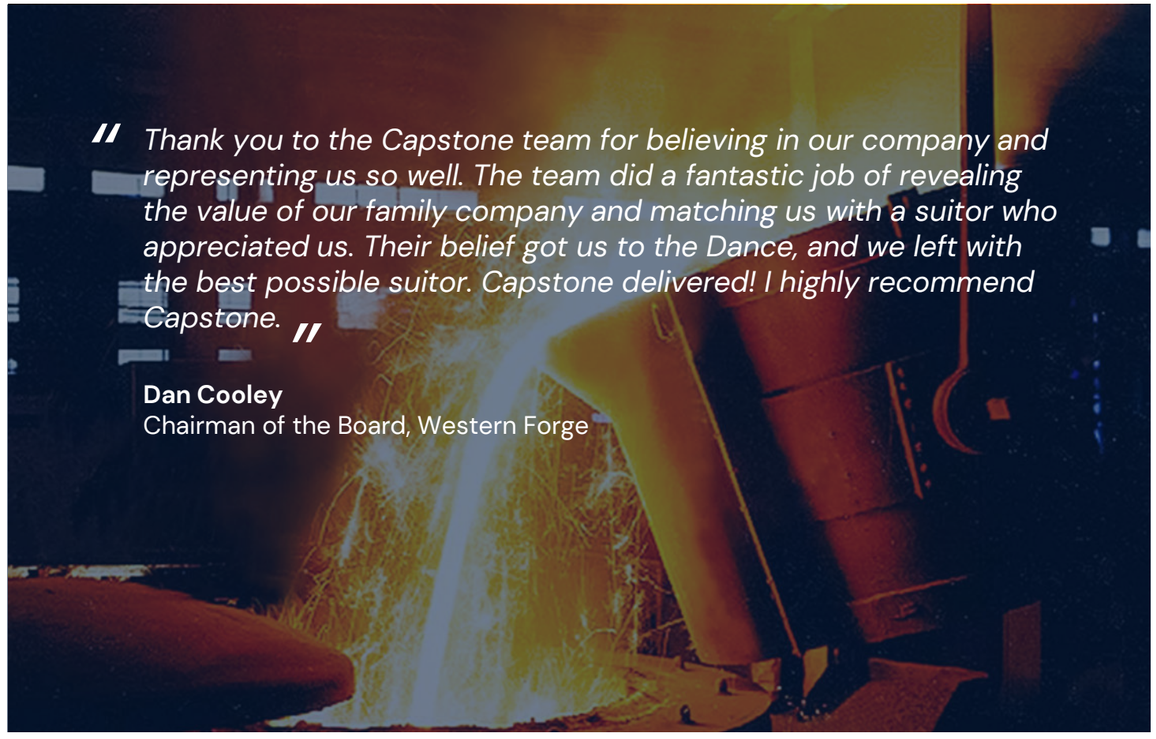
Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Capstone Partners Advises Western Forge & Flange on its Acquisition by Wynnchurch Capital



Capstone Partners advised Western Forge & Flange Co. (Western Forge), a manufacturer of specialty forgings and flanges for flow control on its acquisition by Wynnchurch Capital.

Founded in 1944 to support the Shipbuilding industry during World War II, Western forge is now a global source for companies requiring quality, forged products. Operating out of Texas, they provide world-class forging, heat treating, machining and metallurgical testing of pipe flanges and forgings to a variety of industries, including Petrochemical, Nuclear, and Military end markets. In November of 2018, Western Forge sought the assistance of Capstone Partners to advise on the sale of their company, resulting in the acquisition by Wynnchurch Capital. Read more about the transaction here.



Packaging

Companies Serving Consumer End Markets Attract Substantial Buyer Interest

M&A Overview & Outlook

The Packaging industry has displayed resilience throughout the pandemic with consumers continuing to purchase nondiscretionary goods and increasingly shopping online. Clear winners throughout COVID-19 have been industry participants with diverse end market exposure. While packaging providers serving battered end markets have suffered from decreased demand, rising per capita income and industrial production paired with elevated e-commerce usage are forecasted to bolster demand across all categories through year end and into 2022.

Deal flow has continued at a rapid pace in 2021, with 151 deals announced or completed through November 3. Low market concentration has supported robust M&A activity with both financial and strategic buyers utilizing acquisitions to rapidly gain market share. Companies serving Consumer end markets, particularly those that performed well amid the pandemic, have attracted substantial buyer interest accounting for 59.2% of M&A targets within the Packaging Product Provider segment in 2021 year-to-date.

Financial buyers have led deal activity in 2021 YTD, comprising 56.9% of transactions. PE add-on activity has accounted for 37.7% of total volume with portfolio companies utilizing PE funding to expand operations in defensible end markets. This is evidenced by custom packaging provider PPC Flexible Packaging's add-on acquisition of Consumer Packaging Group in September (undisclosed). Through the transaction, Morgan Stanley Private Equity-backed PPC will enhance its innovative capabilities in the Consumer segment.

Key Subsector Trends

E-commerce sales increased substantially at the height of the pandemic as consumers were forced to purchase goods online due to lockdowns and store closures. E-commerce retail sales have continued to surge in 2021, rising 9.1% from Q2 2020 to Q2 2021 (U.S. Census Bureau)[23] driven by increased consumer awareness regarding the convenience of online shopping and the continued development of online retail infrastructure. Capstone expects this trend to continue for the foreseeable future due to elevated mobile phone ownership, high internet accessibility, and a continuously evolving delivery/transportation system.

As state and local governments enact more stringent regulations regarding sustainability and consumer preferences shift towards eco-friendly products, packaging companies are expected to pivot investment towards more sustainable solutions. Facing elevated pressure from shareholders, governments, and consumers, public consumer goods companies have demonstrated a particular interest in sustainable practices. This is evidenced by The Coca-Cola Company's (NYSE:KO) commitment to collect and recycle the equivalent of every bottle or can that it sells globally by 2030, according to a press release.[24]

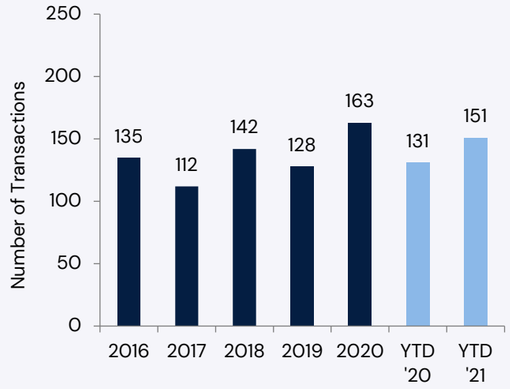
Smart labels are expected to proliferate as a means of communicating packaging contents with consumers. For example, consumer products company Upfield is planning to introduce on-pack labeling to inform consumers about the carbon impact of their food by the end of 2021, according to the company's website.[25]



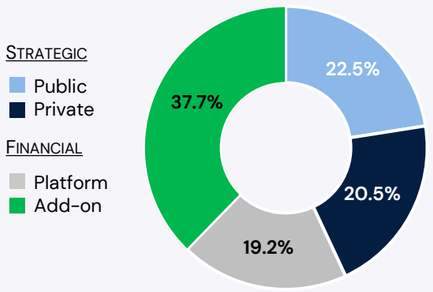
David Bench, Managing Director

"The demand for strong performing packaging assets in the M&A market has accelerated in 2021. Historical tailwinds in this industry, such as e-commerce, sustainability, and smart packaging technology have been amplified as companies navigate changing consumer shopping habits and supply chain disruptions. This heightened demand is translating into the M&A markets for both strategic and financial acquirers."

M&A Volume Continues at Strong Pace



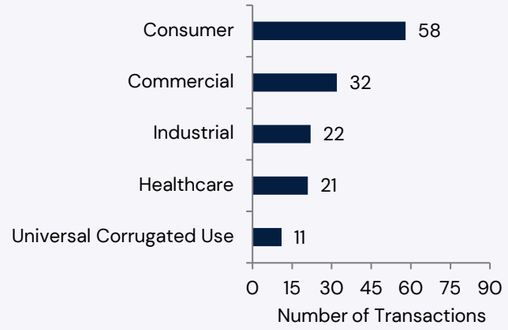
Add-on Acquisitions Comprise Largest Share of Deal Activity



Buyers Seek Exposure to End Markets With Strong Growth Dynamics

Pactiv Evergreen Group Holdings has entered a definitive agreement to acquire foodservice packaging company Fabri-Kal for an enterprise value of $380 million, equivalent to 1.1x LTM revenue or 7.0x LTM EBITDA. "Combining these two complementary companies will further expand Pactiv Evergreen's position in the Foodservices segment, broaden our sustainable packaging product offerings and customer base, and increase our manufacturing capacity and distribution capabilities," said Mike King, Chief Executive Officer of Pactiv Evergreen in a press release.[26]

Target Companies Serving Consumer Products Attract Significant Buyer Interest



Note: Breakdown includes target companies with multiple end markets
Year-to-date (YTD) ended November 3
Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Select Packaging Transactions

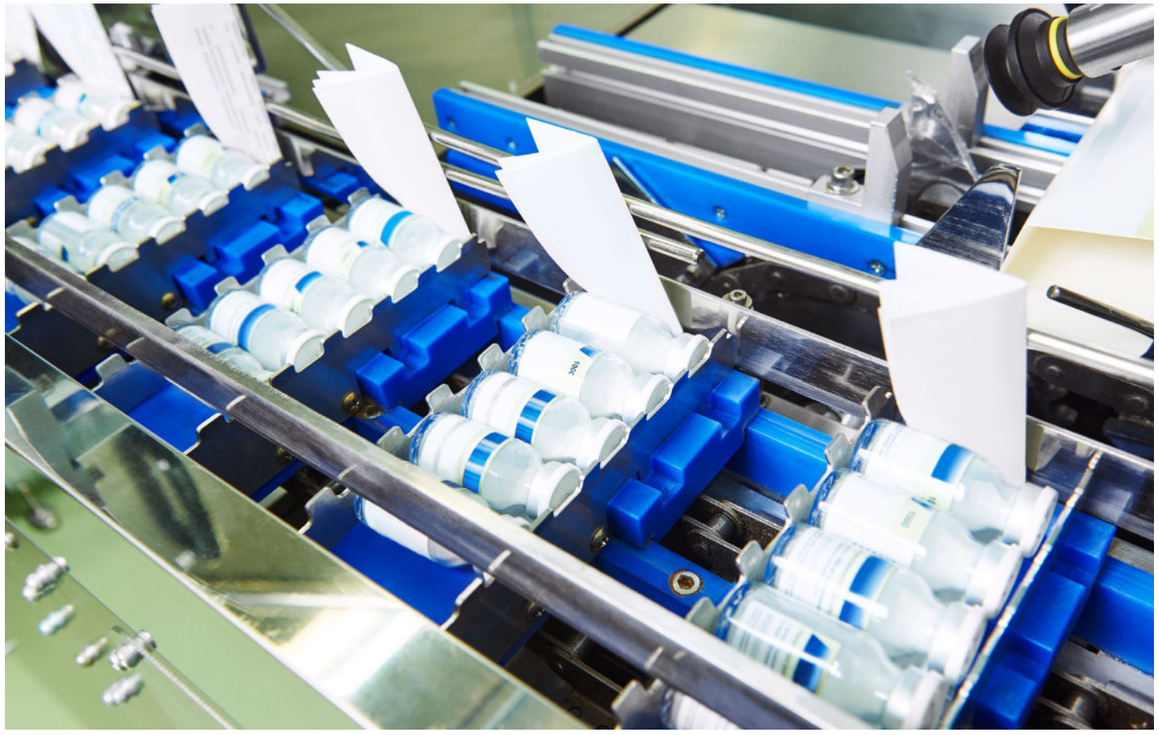
Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EV / LTM EBITDA
11/03/21	Golden Egg Solutions	Ship Hero	Provides pick and pack fulfillment, printing and packaging, and white label supplement procurement.	$297.0	-	-
11/02/21	Arrowhead Systems	Regal Rexnord (NYSE:RRX)	Manufactures material handling equipment and packaging lines.	$297.0	-	-
11/01/21	Luminer Converting Group	Premium Label & Packaging Solutions	Prints and converts pressure sensitive labels.	-	-	-
11/01/21	K. T. Murray	Wildpack Holdings	Distributes glass, plastic, metal, closures, and custom packaging products.	$37.3	-	-
10/26/21	Assets of Advance Packaging	Packaging Corp. (NYSE:PKG)	Comprises 500,000 square foot corrugated products facility located in Grand Rapids, Michigan.	$50.0	-	-
10/25/21	Fox Valley Containers	Novvia Group	Distributes cans, pails, drums, bottles, jars, and other packaging products.	-	-	-
10/21/21	Pharma Packaging Solutions	Tjoapack	Provides original packaging solutions for pharmaceutical companies.	-	-	-
10/21/21	Sycamore Sales	C-P Flexible Packaging	Manufactures multilayer flexible films, containers, and tray sealing equipment.	-	-	-
10/15/21	Fortis Solutions Group	Harvest Partners	Develops and offers printing, packaging, and labeling solutions.	-	-	-
10/13/21	Contech Medical	UFP Technologies (NasdaqCM:UFPT)	Provides medical device assembly and packaging services.	$14.5	-	-
10/12/21	R. R. Donnelley & Sons (NYSE:RRD)	Chatham Asset Management	Provides packaging solutions including rigid boxes and in-box print materials.	$2,125.5	0.4x	4.5x
10/11/21	Quality Tape & Label	Fortis Solutions Group	Manufactures and distributes custom printed labels.	-	-	-
10/05/21	Plymouth Foam	Foam Fabricators	Manufactures and markets expanded polystyrene (EPS) and flexible foam products.	$56.0	-	-
10/04/21	Coburn Carton Solutions	Rohrer Corporation	Manufactures printed folding cartons and point-of-purchase displays.	-	-	-
10/01/21	PPC Flexible Packaging	GTCR	Manufactures and converts flexible plastic films, pouches, and bags to customers worldwide.	-	-	-
09/30/21	Unicep Packaging	Silgan Holdings (NasdaqGS:SLGN)	Manufactures custom single-use blow-fill-seal packaging for dental materials.	$237.0	-	-
09/30/21	International Imaging Materials	Armor USA	Develops, manufactures, and distributes printing, imaging, and marking consumable supplies.	-	-	-
09/20/21	Gateway Plastics	Silgan Holdings (NasdaqGS:SLGN)	Manufactures injection molded plastic packaging solutions.	$485.0	3.2x	10.5x
09/17/21	Crawford Industries	Spartech	Manufactures customized polyethylene and polypropylene packaging products.	-	-	-
09/17/21	StickerGiant.com	Resource Label Group	Offers customized stickers and label printing services.	-	-	-
09/17/21	A&A Global Imports	Boyne Capital Partners	Offers packaging materials and ancillary products.	-	-	-

Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Select Capstone Partners Closed Engagements







Precision Manufacturing

M&A Activity Accelerates With Rising Demand From Downstream Markets

M&A Overview & Outlook

The effects of the pandemic on the Precision Manufacturing industry are still being felt today with volatile raw materials prices, transportation backlogs, and continued uncertainty regarding air travel. However, demand for precision components is expected to increase through 2021 as downstream markets continue to restabilize in congruence with the recovery of the broader economy. Despite pandemic-induced challenges, the industry experienced a 43.8% YOY increase in transaction volume in 2020 as strategics consolidated competitors to strengthen supply chains and financial buyers pursued noncyclical businesses.

M&A activity has continued to proliferate in 2021 YTD, rising 25.4% YOY with 148 deals announced or completed. Companies serving growing end markets such as Medical Devices, Electronics, and Defense continue to be highly sought-after acquisition targets that attract premium valuations. This is exemplified by Tecan Group's (SWX:TECN) definitive agreement to acquire Paramit Corporation, a manufacturer of medical devices and life sciences instruments, from Altaris Capital Partners for $1 billion, equivalent to 20x expected 2021 EBITDA.

Strategic buyers remain active in the industry (52% of deals) with both public and private companies utilizing M&A to expand service portfolios, enhance market position, and improve geographic reach. However, financial add-ons continue to comprise a large share of deals (31.1%) as PE firms have utilized M&A to bolster the market share of platform companies serving industries with strong growth dynamics. Resurgences in downstream demand are expected to buttress deal activity in the near-term with buyers pursuing manufacturers serving growing end markets.

Key Subsector Trends

Manufacturing shutdowns amid the pandemic decentralized workforces across the globe, accelerating the adoption of Internet of Things (IoT)-enabled technology to augment production processes. Manufacturers are now presented with the opportunity to increase productivity and visibility with the advent of IoT-enabled manufacturing devices. These tools allow manufacturers to monitor equipment performance remotely and identify potential issues before they arise, providing heightened visibility to technicians.

As issues with the global supply chain continue and overseas wages rise, a growing number of business owners have decided to move operations stateside. Reshoring efforts can lead to quicker inventory turns, reduction in shipping costs, and less reliance on global supply chains. As the pandemic subsides, Capstone expects to see a continuation of reshoring efforts as OEMs seek to lessen the U.S. dependency on a flawed global transportation network.

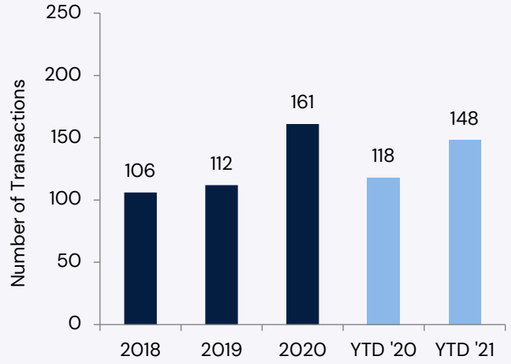
Evidence points towards a resurgence in demand for precision machined parts from advanced end markets such as Medical Devices and Defense. Capstone expects continued investment in technological development in markets supporting energy needs and semiconductors to drive demand for engineered components as manufacturers look to improve efficiency and performance. Innovation in the Healthcare sector and an aging U.S. population are forecasted to supplement demand for industry participants serving the Medical Devices market.



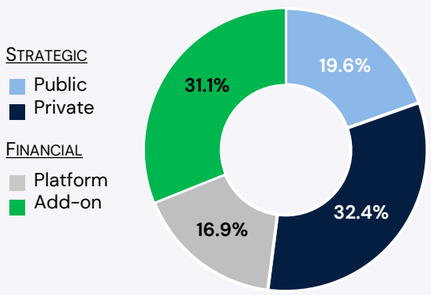
Ted Polk, Managing Director

"Companies that have proprietary capabilities and provide critical roles within their client's supply chains remain in strong demand and are likely to command premium valuations. End market outlook is also critical and for many it was temporarily masked in 2020."

Transaction Volume Outpaces Historic Norms



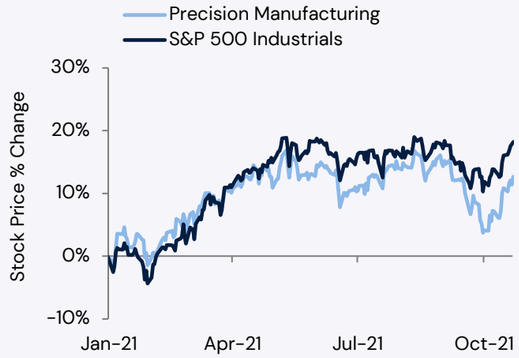
Year-To-Date Buyer Breakdown



GWS Tool Group Acquires Indexable Cutting Tools

GWS Tool Group, a portfolio company of L Squared Capital Partners, acquired Indexable Cutting Tools in May for an undisclosed sum. Based in Ontario, Indexable Cutting Tools produces cutting tools for part manufacturers serving the following industries: Automotive in the U.S., Canada, Brazil, and Mexico; Aerospace in the Czech Republic; Powertrain and Brake in Germany and Italy; and Wind Generation in China, according to the company website.[27] Through the acquisition, GWS has improved its global market position as a multi-disciplinary provider of highly-precise cutting tools.

Average Public Company Stock Price



Index includes: AME, ATCO A, CFX, CLS, CMI, GWW, ITW, LECO, SAND
Year-to-date (YTD) ended October 21
Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Select Precision Manufacturing Transactions

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EV / LTM EBITDA
11/04/21	Sterling Precision	Vitesse Systems	Manufactures complex cooling systems and communication components.	-	-	-
10/26/21	Performance Plastics/Angeles	JW Hill Capital	Manufactures composite and metal aerospace and commercial products.	-	-	-
10/21/21	Advanced Laser Machining	CGI Automated Manufacturing	Provides services including welding, custom tooling, engineering, and design support.	-	-	-
10/18/21	Stealth Aerospace	FDH Aero	Distributes electromechanical components to the Airline and Aerospace industries.	-	-	-
10/18/21	Koch Machine Tool Company	Methods Machine Tools	Distributes machine tools.	-	-	-
10/01/21	Shaw Stainless & Alloy	Olympic Steel (Nasdaq:ZEUS)	Fabricates stainless steel pipes, valves, fittings, structural materials, and sanitary tubes and fittings.	-	-	-
09/30/21	Alcast	Ligon Industries	Manufactures aluminum castings based in Peoria, Illinois.	$50.0	-	-
09/30/21	U.S. Machine & Tool	Sixeight	Provides CNC precision machining and fabrication services.	-	-	-
09/28/21	Kemco Tool And Machine Company	L3 Harris (NYSE:LHX)	Provides precision machined parts to the Aerospace and Defense industries.	-	-	-
09/23/21	Systima	Karman Systems	Manufactures components and integrated systems for Defense, Space, and Commercial markets.	-	-	-
09/22/21	In-Place Machining Company	Levine Leichtman Capital Partners	Provides on-site field machining services to industrial, scientific, and military customers.	-	-	-
09/21/21	Manth Holdings	Dynabrade	Manufactures high precision machined components and offers value added services.	-	-	-
09/21/21	TMX Engineering	Karman Systems	Provides precision machining services to various industries.	-	-	-
09/20/21	Aircraft Hardware West	Clarendon Specialty Fasteners	Provides hardware and related services to Aerospace and Commercial industries.	-	-	-
09/15/21	Ray Industrial Products	Buckeye Industrial Supply	Distributes industrial products, including equipment, cutting tools, and tooling systems.	-	-	-
09/13/21	Contour360	ARCH Cutting Tools	Manufactures and sells precision-made solid carbide round shank cutting tools.	-	-	-
09/13/21	Systems 3	Cassavant Machining	Manufactures CNC machined parts, tools, and fixtures for Aerospace and Military industries.	-	-	-
09/09/21	GLE Precision	Hyperion Materials & Technologies	Manufactures tungsten carbide machining, ceramic machining, and other hard materials.	-	-	-
09/08/21	Component Solutions Group	Bufab (OM:BUFAB)	Manufactures C-class components designed for original equipment manufacturers.	$36.0	-	-
09/07/21	CoreHog	Harvey Performance	Manufactures cutting tools.	-	-	-
09/02/21	Wilsey / Isimac / Choice Precision	ARCH Medical Solutions	Provides precision contract manufacturing services for the Medical Device industry.	-	-	-

Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Select Capstone Partners Closed Engagements

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ARCH™
a portfolio company of
THE JORDAN COMPANY

HAS BEEN ACQUIRED BY

MCM

HAS COMPLETED AN OWNERSHIP TRANSITION



Waste & Recycling

Consolidation Continues, Bolstered by Recovering Waste Volumes

M&A Overview & Outlook

Performance in the Waste & Recycling industry is closely tied to the current state of the broader economy as waste volumes are driven by consumption. The pandemic brought on the closure of commercial spaces and construction sites, substantially decreasing commercial and industrial waste volumes. However, residential waste volumes rose as a result of more time spent at home amid COVID-19. As the economy continues to recover, commercial and industrial waste volumes are forecasted to climb, evidenced by leading public company Waste Management (NYSE:WM) reporting a 9.6% quarterly increase in collection and disposal volume from Q1, according to its Q2 earnings call.[28] Of note, trading multiples among public companies have also improved as Capstone's Waste & Recycling Index average valuation has increased to 16.1x EBITDA, a substantial recovery from the 2020 low of 10.7x.

M&A activity in the Waste & Recycling industry has proliferated in 2021 to-date with 193 deals announced or completed through November 8, outpacing the same period in 2020 and 2019 by 77.1% and 33.1%, respectively. The industry continues to become increasingly consolidated with the five largest companies in the Waste Collection Services segment estimated to generate 46.1% of waste collection revenue in 2021, according to IBIS World.[29] Private equity add-ons accounted for the largest share of YTD deals (34.2%) as platform companies seek regional market dominance through tuck-in acquisitions in attractive geographies. Capstone expects deal activity to continue at a rapid pace through year end and into 2022, driven by continued consolidation, improving waste volumes, and legislative proposals aiming to bolster recycling infrastructure.

Key Subsector Trends

Sustainability initiatives are expected to increase demand for recycling services due to elevated pressure from consumers and state and local governments. Tightening environmental policy under the Biden Administration is expected to result in recycling infrastructure improvements and continued investment in composting and waste-to-energy facilities. State governments are also expected to play an impactful role in the push toward a circular economy, evidenced by Maine's passing of the first extended producer responsibility (EPR) law for packaging, requiring producers to pay into a state-regulated stewardship based on the packaging materials that they sell, according to Waste Dive.[30] The bill is expected to increase demand for recyclable materials as it includes an eco-modulation system that charges producers less for recyclable packaging.

Recovering construction and industrial production activity and a rising population are expected to contribute to elevated waste volume levels. Privately-owned housing starts in August increased 9.1% YOY. The heightened usage of wood, steel, concrete and other bulky items is expected to necessitate industrial waste management and disposal services.

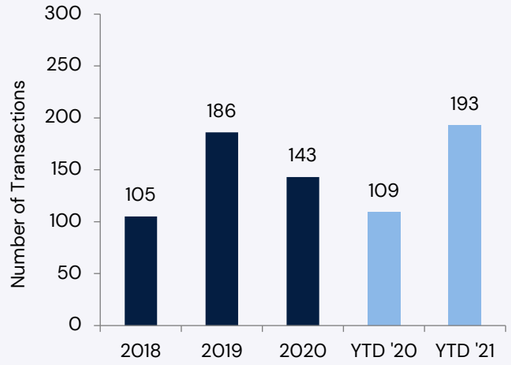
Public Waste & Recycling firms have combated labor constraints as the shortage of commercial drivers has been exacerbated by the pandemic and the subsequent rollout of stimulus checks. The shortages are occurring across the country and are leading to delays in pickups as workers have opted to collect unemployment checks rather than work.



Doug Usifer, Managing Director

"Very strong industry fundamentals are supporting a robust Waste & Recycling M&A market. Significant value will be placed on sustainable businesses with proven and consistent revenue sources combined with strong industry tailwinds. This trend is playing out particularly well for recycling businesses. Local business services players in attractive markets are also in demand as acquisition candidates for access to volume and key customers."

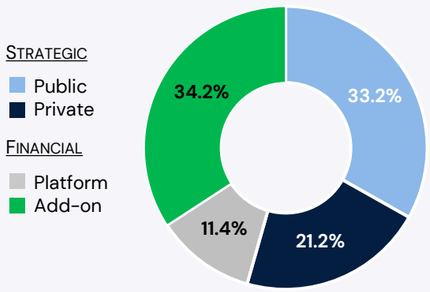
M&A activity Proliferates in 2021 as Buyers Consolidate



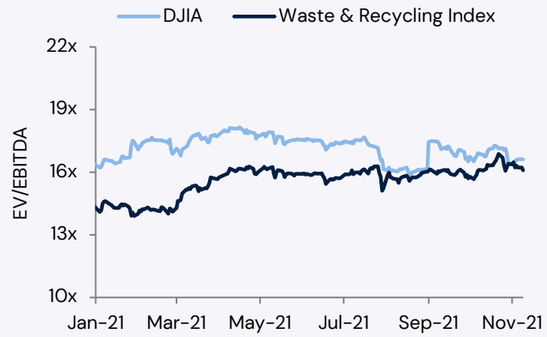
EQT Infrastructure Acquires All Shares of Covanta Holdings Common Stock

Global infrastructure investment firm EQT Infrastructure has entered a definitive agreement to acquire all shares of Covanta Holding Corporation (NYSE:CVA) common stock for $20.25 per share in a transaction valued at $5.3 billion, equivalent to 2.7x LTM revenue and 16.6x LTM EBITDA (July). Through its subsidiaries, Covanta is a global provider of waste to energy services for municipal entities. EQT will invest in organizational, operational, and digital technology initiatives allowing Covanta to enhance its sustainable solutions, according to a press release.[31]

Year-To-Date Buyer Breakdown



Average Public Company EBITDA Multiples



Index includes: CWST, CHRA, CLH, CVA, DAR, GFL, RSG, SRCL, ECOL, WCN, WM
Year-to-date (YTD) ended November 8
Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Select Waste & Recycling Transactions

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EV / LTM EBITDA
11/04/21	Assets of Metalx	BlueScope Steel (ASX:BSL)	Comprises scrap steel recycling business.	$240.0	-	-
11/01/21	Assets of RAMCO & Alternative Waste	Lakeshore Recycling Systems	Comprises waste, recycling, and roll-off business.	-	-	-
10/29/21	PSC Metals	SA Recycling	Recycles scrap metals in Ohio, Western Pennsylvania, Tennessee, and Missouri.	$290.0	-	5.4x
10/25/21	Affordable Medical Waste	Sharps Compliance (Nasdaq:SMED)	Provides medical waste removal and document shredding services.	-	-	-
10/18/21	Big Truck Rental	Alinda Capital Partners	Provides trash truck rental services to the waste industry.	-	-	-
10/06/21	Recycling Facility in Virginia Beach	Empire Services	Offers commercial waste removal services.	-	-	-
10/01/21	Alabama Dumpster Service	GFL Environmental (TSX:GFL)	Develops an online application that allows users to view outfits.	-	-	-
09/21/21	Environmental Recovery	VLS Recovery Services	Recycles non-hazardous industrial waste for various industrial clients.	-	-	-
09/09/21	Lakeshore Recycling Systems	Macquarie Infrastructure	Provides waste collection and recycling services.	CF	CF	CF
08/31/21	GreenCare Recycling	WeCare Denali	Provides yard debris recycling services.	-	-	-
08/23/21	East Chicago Machine Tool	Kadant (NYSE:KAI)	Manufactures heavy duty and reliable equipment for Waste Management and Recycling industries.	$54.0	2.5x	6.7x
08/12/21	Columbus Recycling	Schnitzer Steel (Nasdaq:SCHN)	Provides ferrous and non-ferrous metal recycling services.	-	-	-
08/10/21	Transfer Station in Monmouth	Lakeshore Recycling Systems	Comprises solid waste transfer station operating business.	-	-	-
08/04/21	HydroChem	Clean Harbors (NYSE:CLH)	Provides industrial cleaning solutions.	$1,250.0	-	-
07/26/21	Willimantic Waste Paper	Casella Waste (Nasdaq:CWST)	Offers recycling, collection, and disposal services in Connecticut and the New England region.	-	-	-
07/19/21	Live Oak Environmental	Kinderhook Industries	Provides environmental waste management services for generators.	-	-	-
07/19/21	Act Disposal	Waste Connections (NYSE:WCN)	Provides dumpster rental services.	-	-	-
07/14/21	Covanta Holding (NYSE:CVA)	EQT Partners	Provides waste and energy services to municipal entities through its subsidiaries.	$5,370.6	2.8x	17.0x
07/13/21	redbox+	BELFOR Franchise Group	Offers combination dumpster roll-off and portable toilet containers for rent.	-	-	-
06/29/21	Assets of motor oil recycling	Safety-Kleen Systems	Comprises used oil refinery and recycling operations.	$140.0	-	-
06/16/21	American Zinc Recycling	Befesa (FRA: BFSA)	Offers products such as zinc oxide and recycled zinc powder.	$450.0	-	-

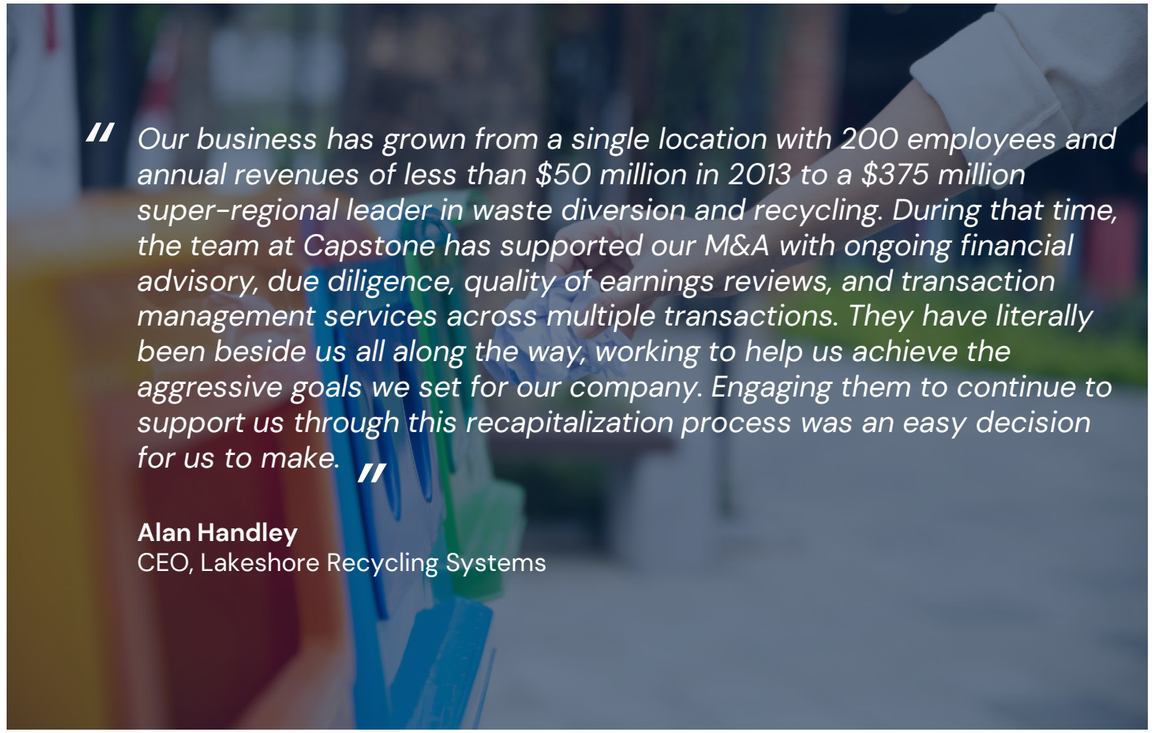
Blue indicates Capstone advised transaction; CF = Confidential
Source: Capital IQ, PitchBook, FactSet, and Capstone Research

Capstone Partners Provides Transaction Advisory Services to Lakeshore Recycling Systems



Capstone Partners provided transaction advisory services to Lakeshore Recycling Systems (LRS) on its receipt of a significant equity investment from MIP V. an American-focused infrastructure fund managed by Macquarie Asset Management.

LRS is the Midwest's leading independent waste diversion, recycling, and portable services provider. The company has experienced nearly a decade of significant growth both organically, as we3ll as through the acquisition of complementary businesses. During the engagement Capstone provided services including financial due diligence, accounting services, synergy analysis, net working capital trending, negotiation consulting and transaction closing support. Over the course of multiple assignments, Capstone has worked with LRS executives to help ensure the full value of the Company was realized. Read more about the transaction here.



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