



INTEROCEAN

Investment Bank for the Manufacturing Sector SM



Quarterly Manufacturing Update

Q4 2016

InterOcean Advisors LLC

225 West Washington Street

Suite 1400

Chicago, IL 60606

www.ioadvisors.com

InterOcean (IOA) closely follows activity in all segments of the manufacturing sector. Each quarter we issue a market overview that offers our perspectives on the state of the manufacturing sector and provides insights into select end market industry verticals that we cover.

Leading Economic Indicators

Uncertainty For Now

U.S. manufacturing expanded in December 2016 at its fastest rate in two years. The PMI jumped sharply to 54.7 in December on the heels of increasing oil prices and the new Administration's support for exploration and production of fossil fuels.

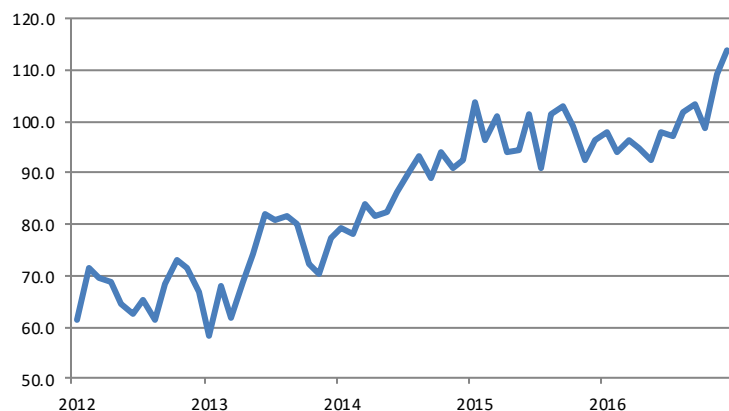
Consumer spending was again a leading driver of economic gains in the fourth quarter. Consumer confidence continued to rise, climbing to a 15-year high in December.

Sales of automobiles and light trucks hit record highs in 2016 and are expected to increase marginally in 2017. However, automobiles spent an increasing amount of time on dealer

lots in Q4 2016. Rising metal content costs and interest rates may further temper sales of automobiles. If tariffs are levied on products shipped from Mexico, the incremental costs will likely inflate prices and in turn impact consumer demand.

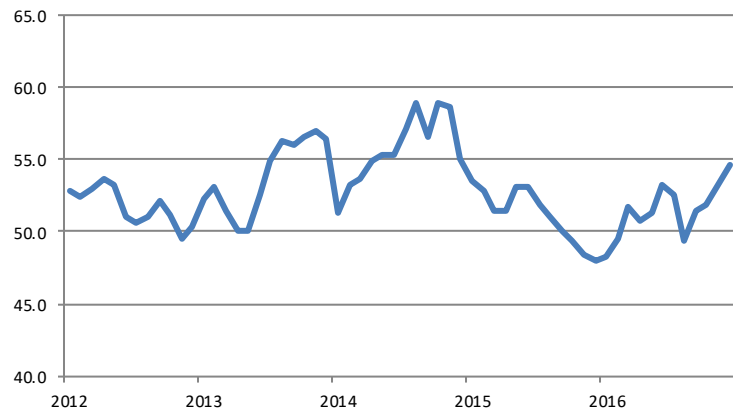
We believe the Q1 2017 performance of the U.S. manufacturing sector will continue to exceed overall market performance. However, manufacturing may face headwinds in the form of rising wages created by the new Administration's stimulus plans and strong encouragement by the Administration for companies to keep and generate jobs in the U.S. in an already strong labor market.

Chart 1: Consumer Confidence Index



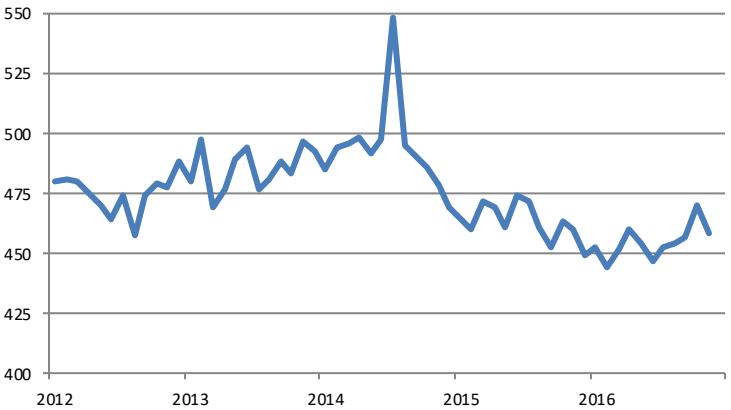
Source: The Conference Board

Chart 2: Purchasing Managers' Index (PMI)



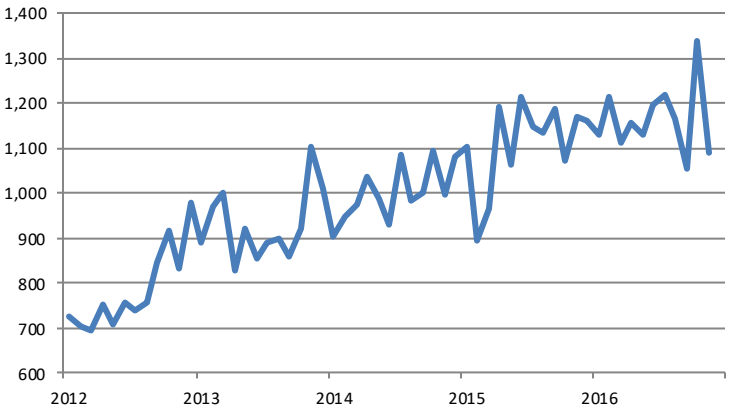
Source: Institute for Supply Management (ISM)

Chart 3: Manufacturers' New Orders (\$ in billions)



Source: U.S. Census Bureau

Chart 4: Housing Starts (thousands)



Source: U.S. Census Bureau

* New privately owned housing units started at a seasonally adjusted annual rate

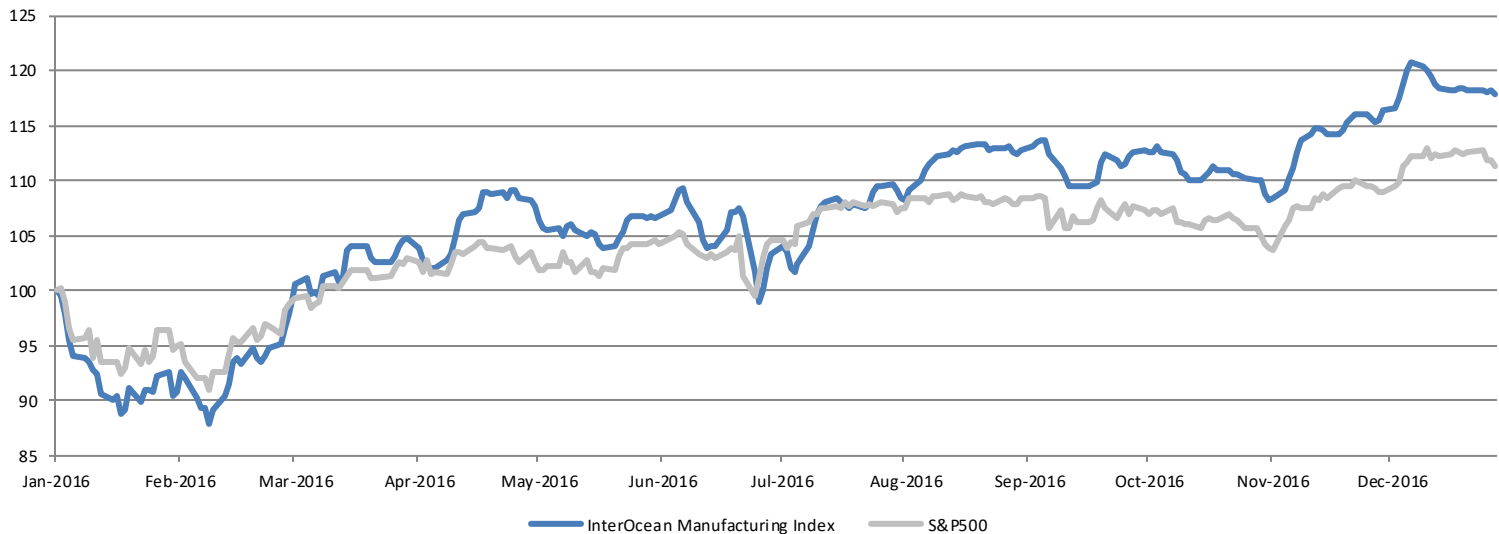
Manufacturing Sector Performance

InterOcean Manufacturing Indices

The InterOcean Manufacturing Index provides a quick snapshot of the market performance of publicly traded manufacturing companies. The Index is an aggregation of market-cap weighted indices for the industries covered by InterOcean. Each industry index is comprised of a representative group of

25-35 publicly traded manufacturing companies that are important participants in that market. The IOA Manufacturing Index equally weights the industry-specific indices, so as not to skew performance toward any single vertical. Each quarter, InterOcean resets the indices to 100.

Chart 5: InterOcean Manufacturing Index vs. S&P500



Source: S&P Capital IQ and InterOcean Advisors; data as of December 30, 2016

Highlights of Q4 Index Data

- › InterOcean Manufacturing Index outperformed the S&P500 in Q4 2016, increasing 4.7% while the S&P500 rose 3.3%.
- › IOA Metals Index showed the greatest percentage gain of any of the InterOcean industry indices over the past quarter, rising 10.3%. The performance of the Index reflected the impact of protective tariffs on steel and strength in the sector's primary end markets.
- › IOA Aerospace & Defense Index rebounded in Q4 2016, increasing 6.6% over the past quarter. Industry revenue is expected to resume growth, driven largely by strong passenger travel demand and expectations for increased defense spending. Defense revenue is expected to grow by over 3% in 2017.
- › IOA Building Products Index rose marginally by 2.4% over the past quarter. Construction spending in 2016 reached its highest level since 2006, but housing starts were mixed. Housing starts are expected to increase in 2017 to meet growing demand. Initial enthusiasm about announced infrastructure spending tempered as questions rose regarding the significance and pace of the planned government spending.

Chart 6: IOA Aerospace & Defense Index vs. S&P500

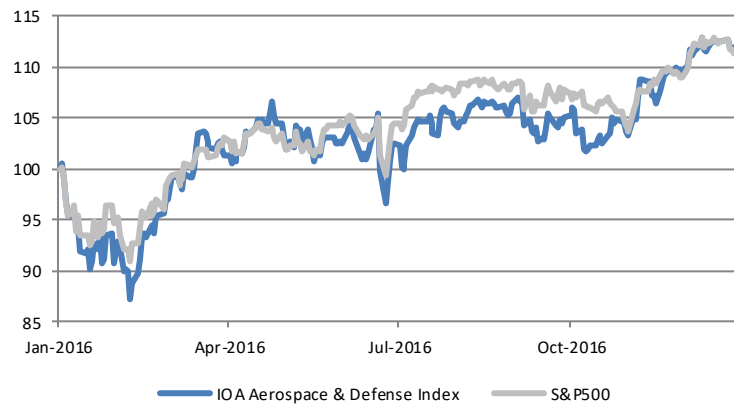


Chart 7: IOA Automotive Index vs. S&P500

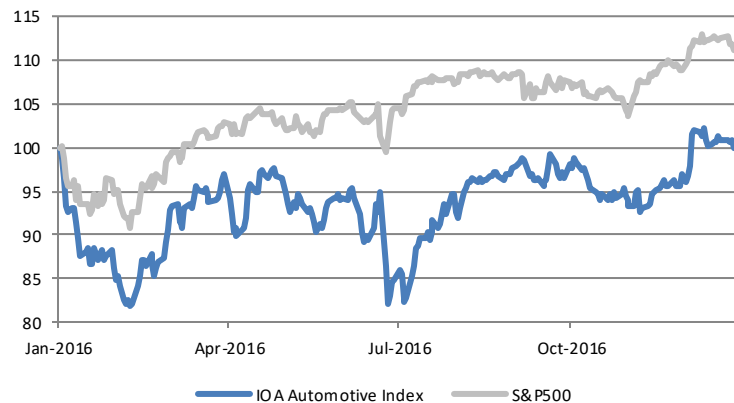
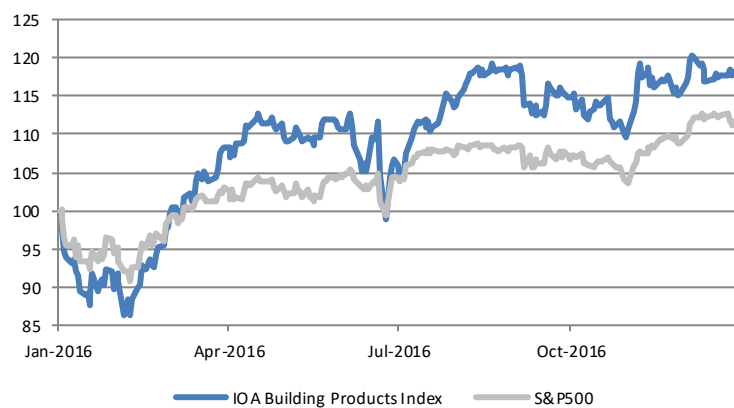


Chart 8: IOA Building Products Index vs. S&P500



Source: S&P Capital IQ and InterOcean Advisors; data as of December 30, 2016

Chart 9: IOA Capital Equipment Index vs. S&P500

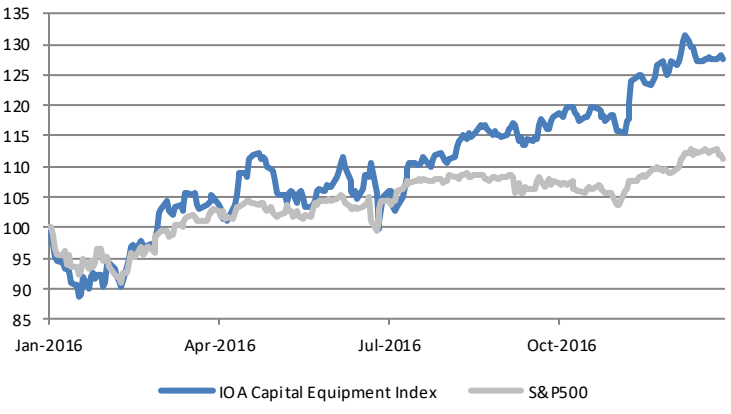


Chart 10: IOA Distribution & Business Services Index vs. S&P500

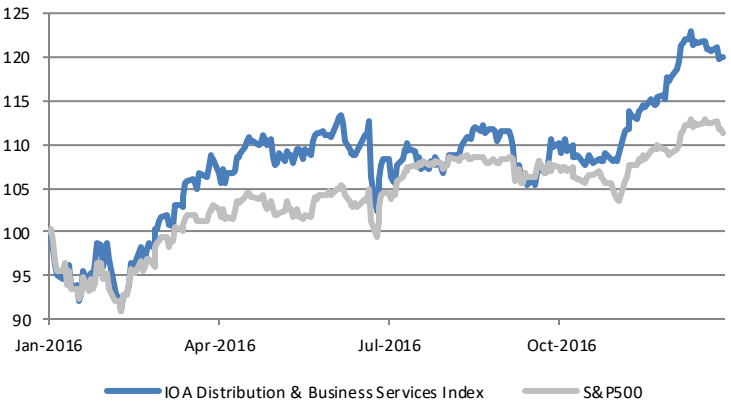


Chart 11: IOA Electrical Products Index vs. S&P500

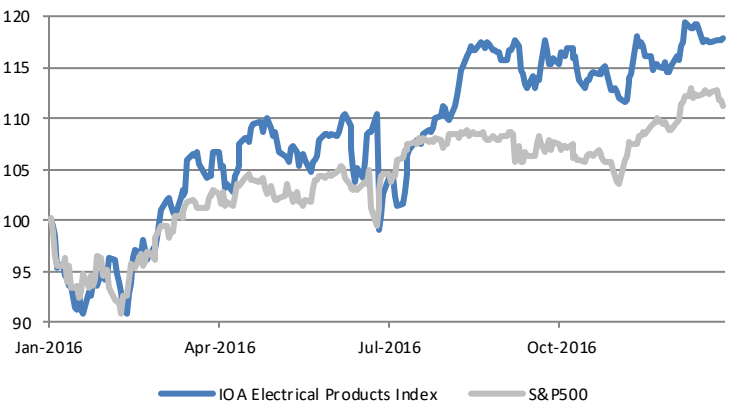


Chart 12: IOA Flow Control Index vs. S&P500

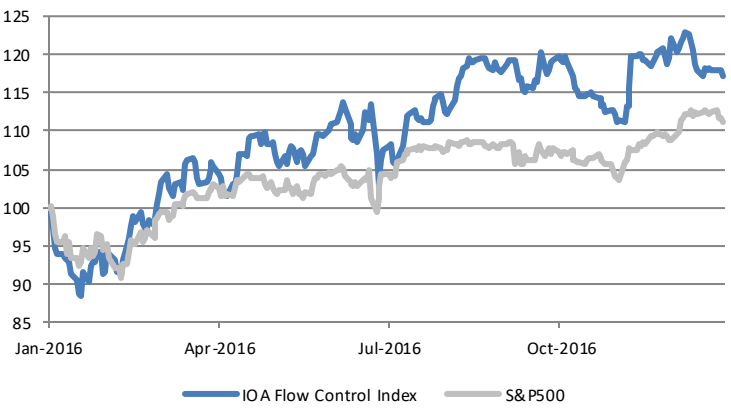


Chart 13: IOA Metals Index vs. S&P500

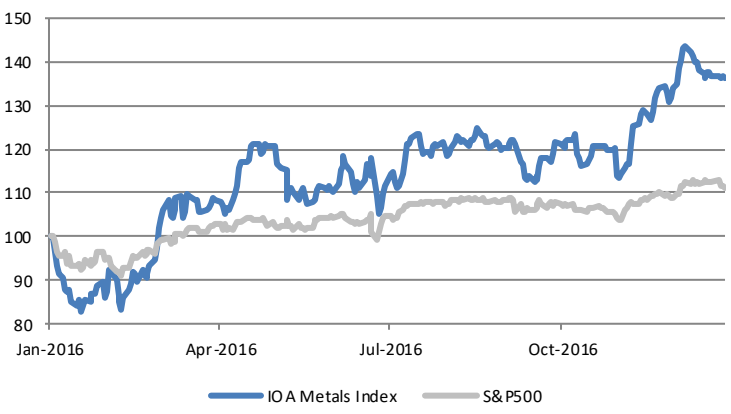
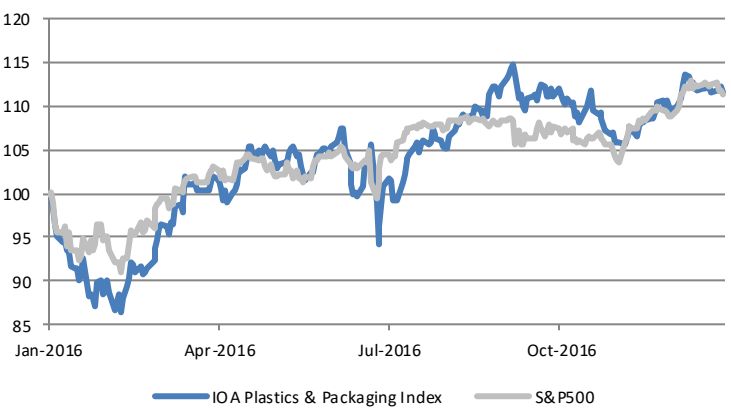


Chart 14: IOA Plastics & Packaging Index vs. S&P500



Source: S&P Capital IQ and InterOcean Advisors; data as of December 30, 2016

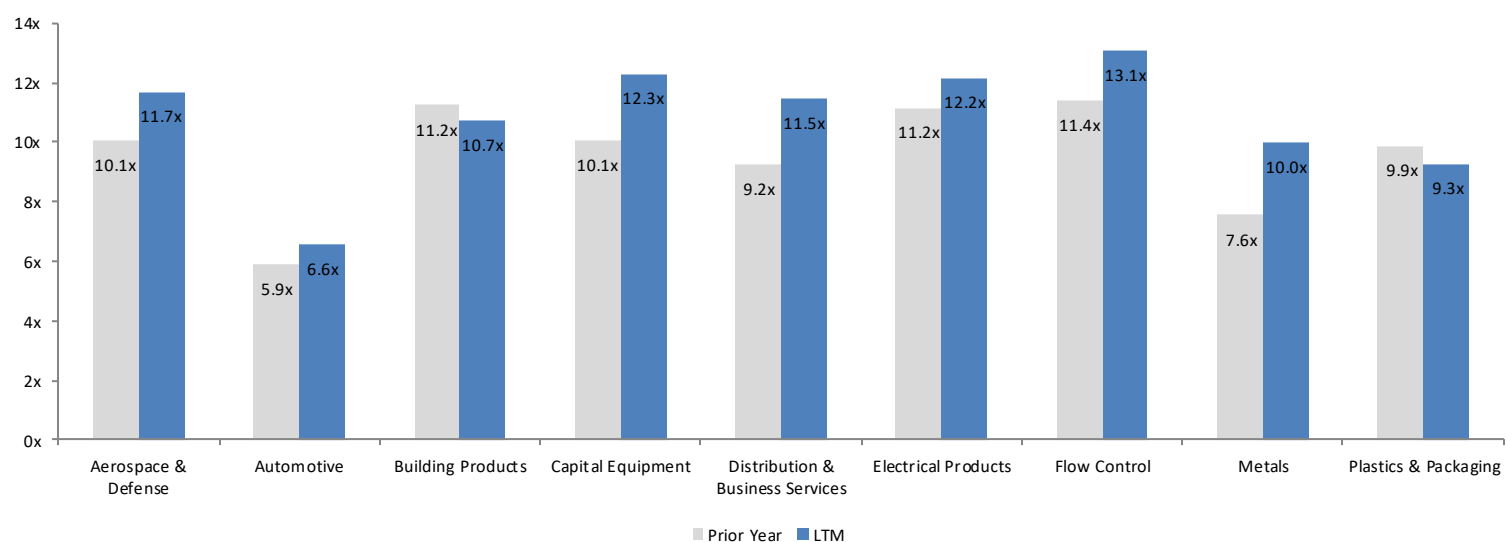
Q4 Industry EBITDA Multiples Spike

The enterprise value / EBITDA multiple—a standard component of traditional corporate valuation exercises—increased on average 1.1 times across the InterOcean industry indices in Q4 2016 compared to the prior year.

The continued expectation for strength in manufacturing is reflected in rising equity values in the sector. Of note are

the Metals, Capital Equipment and Distribution indices. The Metal Index multiple rose 2.3 times. Capital Equipment and Distribution multiples each increased by 2.2 times amidst early signs that corporate investment is beginning to accelerate. The Building Products Index multiple fell 0.7x with the slowdown in the housing sector.

Chart 15: Median Enterprise Value/LTM EBITDA Multiples for IOA Index Companies



Source: S&P Capital IQ and InterOcean Advisors; data as of December 30, 2016

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InterOcean Advisors LLC

Middle Market Investment Bank

InterOcean is one of North America's leading specialty investment banks focused on serving the manufacturing sector. InterOcean advises corporations, private business owners, private equity groups and management teams, offering the following services:

- Mergers & Acquisitions
- Private Capital Sourcing (Debt and Equity)
- Sale / Divestiture Advisory
- Financial Advisory

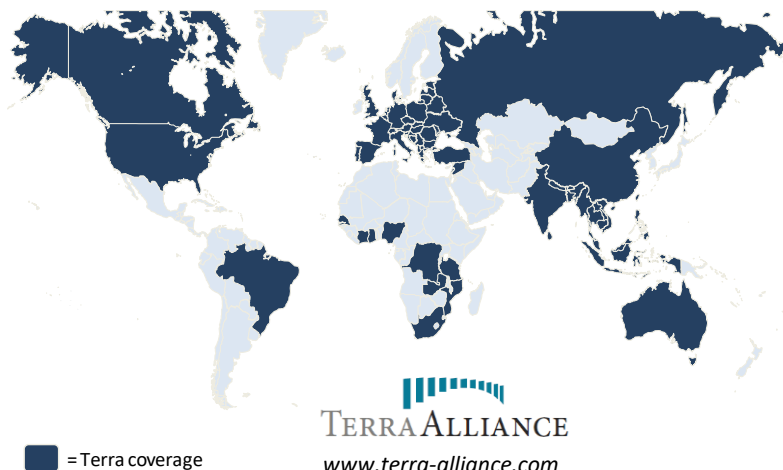
To learn more about InterOcean, please visit our website at: www.ioadvisors.com

Manufacturing Sector Focus

InterOcean is dedicated to providing solutions for the aerospace & defense, automotive, building products, capital equipment, distribution & business services, electrical products, flow control, metals and plastics & packaging segments of the economy. Our deep experience in these industries facilitates the identification of important industry and market trends, a company's key value drivers and qualified buyers, lenders and investors, thereby improving the likelihood of a transaction closing at a premium value and on a timely basis.

International Capabilities

InterOcean is the sole U.S. member of the Terra Corporate Finance Alliance, a growing international alliance of investment banks with operations in North America, South America, Europe, the Middle East, Africa and Asia. Through this network, InterOcean has a platform for offering enhanced identification of, and access to, potential transaction parties around the globe. Collectively, over the past few years, the Terra network has advised on more than 200 M&A transactions with a total value in excess of USD \$10 billion.



Executive Team

William Doepke *
Managing Director
wdoepke@ioadvisors.com
+1 312 698 6906

Mark Harvey *
Managing Director
mharvey@ioadvisors.com
+1 312 698 6915

Nicholas Newlin *
Managing Director
nnewlin@ioadvisors.com
+1 312 698 6918

Robert Wujtowicz *
Managing Director
rwujtowicz@ioadvisors.com
+1 312 698 6904

* Registered Representative