

Material Handling

Market Update

December 2017



Industry Trends

The global material handling equipment market is forecast to grow at a CAGR of approximately 5% over the next seven years, reaching an estimated \$190 billion by 2024. (Global Market Insights, Inc.) Demand for productivity-enhancing technological warehouse interventions, including robots, industrial trucks and automated storage and retrieval systems, is expected to drive the growth.

The material handling industry continues to be highly correlated with the overall macroeconomy: if GDP is growing, then demand on the supply chain should rise as well. According to the Institute for Supply Management, both manufacturing and non-manufacturing revenues and capital expenditures are expected to rise in 2017 over 4% and 5%, respectively, stimulating growth in material handling equipment. Monetary and fiscal policy initiatives, including proposed corporate tax cuts and infrastructure spending, have spurred optimism for material handling in 2018.

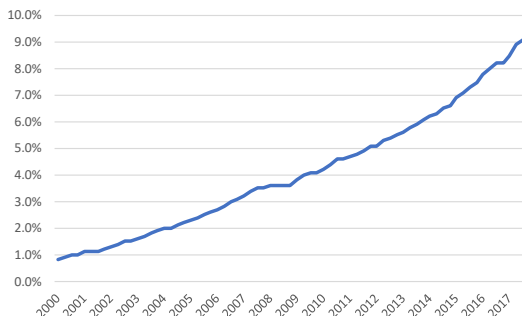
E-commerce retail sales continue to grow as a percentage of total retail sales, recently surpassing 9%. E-commerce sales, led by Amazon (and related

third party) growth, will continue to drive the need for more commercial warehouse space and material handling equipment, as e-commerce vendors seek to build out their fulfillment capabilities and implement modern warehousing systems to facilitate faster deliveries.

Customer demand for responsiveness is also impacting inventory management at brick-and-mortar stores. Many companies that are faced with dwindling space to store their inventory are turning to off-site storage solutions, further fueling the warehouse shortage.

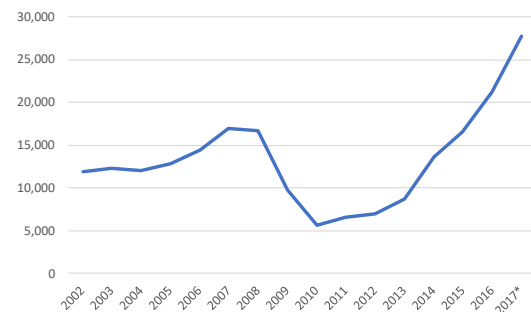
Attempting to keep up with demand, new private warehouse construction spending continues to rise. In September of this year, total spending reached \$2.6 billion for the month, more than triple the value five years ago. More warehouse space and the need to manage it with greater efficiency are expected to further propel growth in highly innovative material handling systems.

E-commerce Retail Sales as a Percent of Total Sales, Seasonally Adjusted



Source: U.S. Census Bureau

Value of New U.S. Private Warehouse Construction (\$ in millions)



*Annualized

Source: U.S. Census Bureau

M&A Activity

The M&A environment for material handling equipment companies has been influenced by the robust e-commerce fundamentals that remain firmly in place and continue to support healthy M&A activity and valuation multiples, including:

- Strength in the public equity markets, with the largest strategic buyers enjoying high valuation multiples
- Renewed investor interest in the manufacturing sector
- A highly fragmented U.S. material handling market, with a large number of companies that seek growth and scale
- Financial buyers with plenty of cash
- Positive lending environment characterized by low interest rates and flexible structures

Select Recent Material Handling M&A Transactions

Closed Date	Acquirer Name	Target Name	Target Description
Nov-17	FLSmidth & Co. A/S	Sandvik AB, Mining Systems Operations	Supplies design and engineering of material handling systems for the mining industry
Oct-17	Foselev Provence	Abcis-France SAS	Designs and manufactures material handling equipment
Aug-17	Jenoptik AG	Five Lakes Automation, LLC	Designs and manufactures material handling machinery and systems
Jul-17	Bila A/S	DAN-Palletiser A/S	Designs, produces and markets internal transport and palletizing systems
Jun-17	Tech-link Storage Engineering Pte.Ltd.	Dexion Limited	Manufactures and markets storage and material handling systems, including pallet racking and shelving technology
Jun-17	Precision, Inc.	Meyer Industries	Manufactures bulk material handling and food processing equipment
May-17	Toyota Industries Corporation	Vanderlande Industries Holding B.V.	Provides value-added logistics process automation at airports and in the parcel market, as well as process automation solutions for warehouses
May-17	Aetna group holding SPA	OCME S.r.l.	Manufactures machines for primary packaging, secondary packaging, and the end of line and logistics
May-17	Actemium, SAS	ASAS Systems S.L.	Develops automated handling, conveying and storage systems for the auto industry and other sectors
Feb-17	LFM Capital	Heartland Steel Products, LLC	Manufactures engineered steel storage rack systems, structural steel tubing, safety/security products, and material handling and safety equipment
Jan-17	TAKRAF USA, Inc.	FMC Technologies, Inc., Material Handling Systems Business	Engineers, procures and constructs complete material handling systems
Nov-16	KION Group	Dematic Group S.a r.l.Designs and	Manufactures intelligent intralogistics and materials handling solutions

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InterOcean offers guidance on all aspects of M&A transactions. We are experienced in advising owners of material handling equipment companies in the development and execution of transaction strategies designed to increase shareholder value.