

Industrial Technology

Newsletter | **August 2021**



Founders' Industrial Technology Newsletter

Introduction

In this edition of Founders' Industrial Technology Newsletter, we focus our attention on the non-destructive testing (NDT) market, an attractive subsector of the broader test and measurement industry

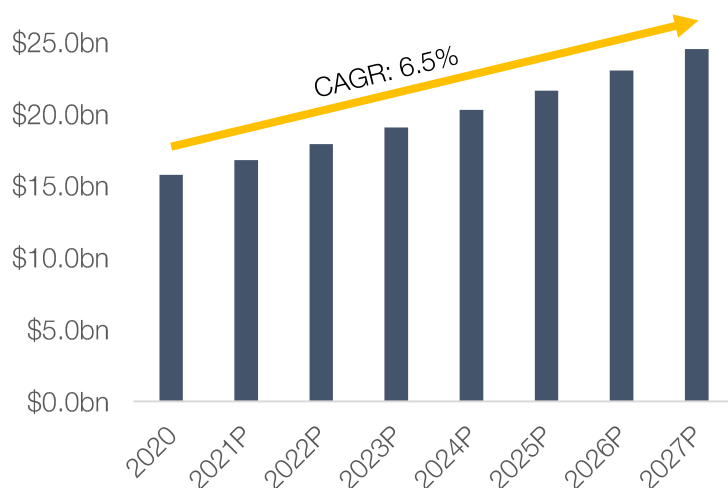
Sector Highlights

- Non-destructive testing provides a method to validate the integrity of materials and process equipment by detecting defects / deficiencies that could lead to failure
- End markets include oil & gas, manufacturing, aerospace & defense, construction, automotive, power generation, and others
- NDT is a global industry that historically has outperformed the broader industrial market

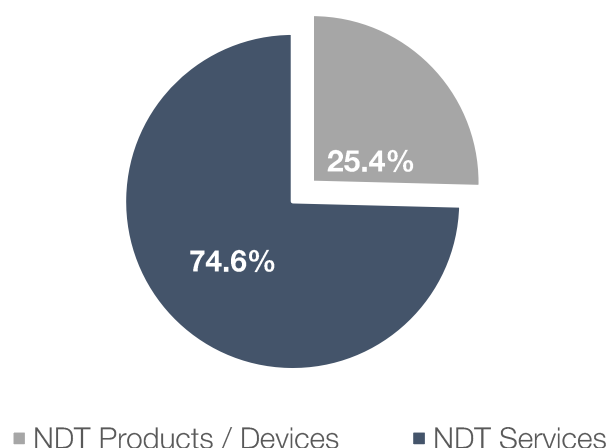
Key Drivers

- The NDT market has displayed expansion as a result of secular growth driven by recurring maintenance spending and expansionary capital investment
- Increase in automation in the industrial manufacturing and infrastructure sectors has led to a substantial demand for flaw detection
- Increasingly stringent regulations, codes, and standards have also forced specific products to undergo non-destructive testing

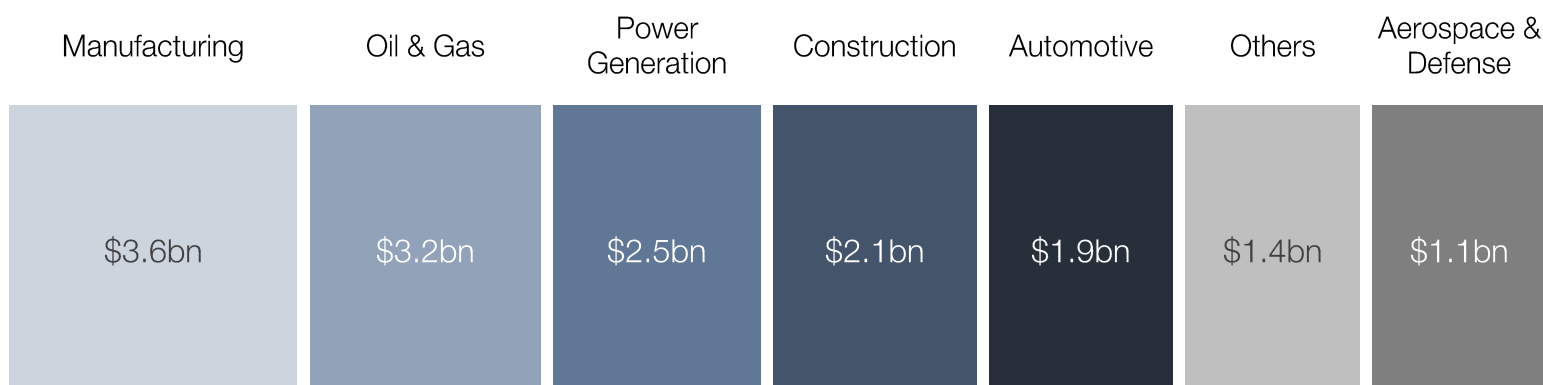
Global NDT Market



2020 NDT Market Breakdown



2020 Market Size by Vertical

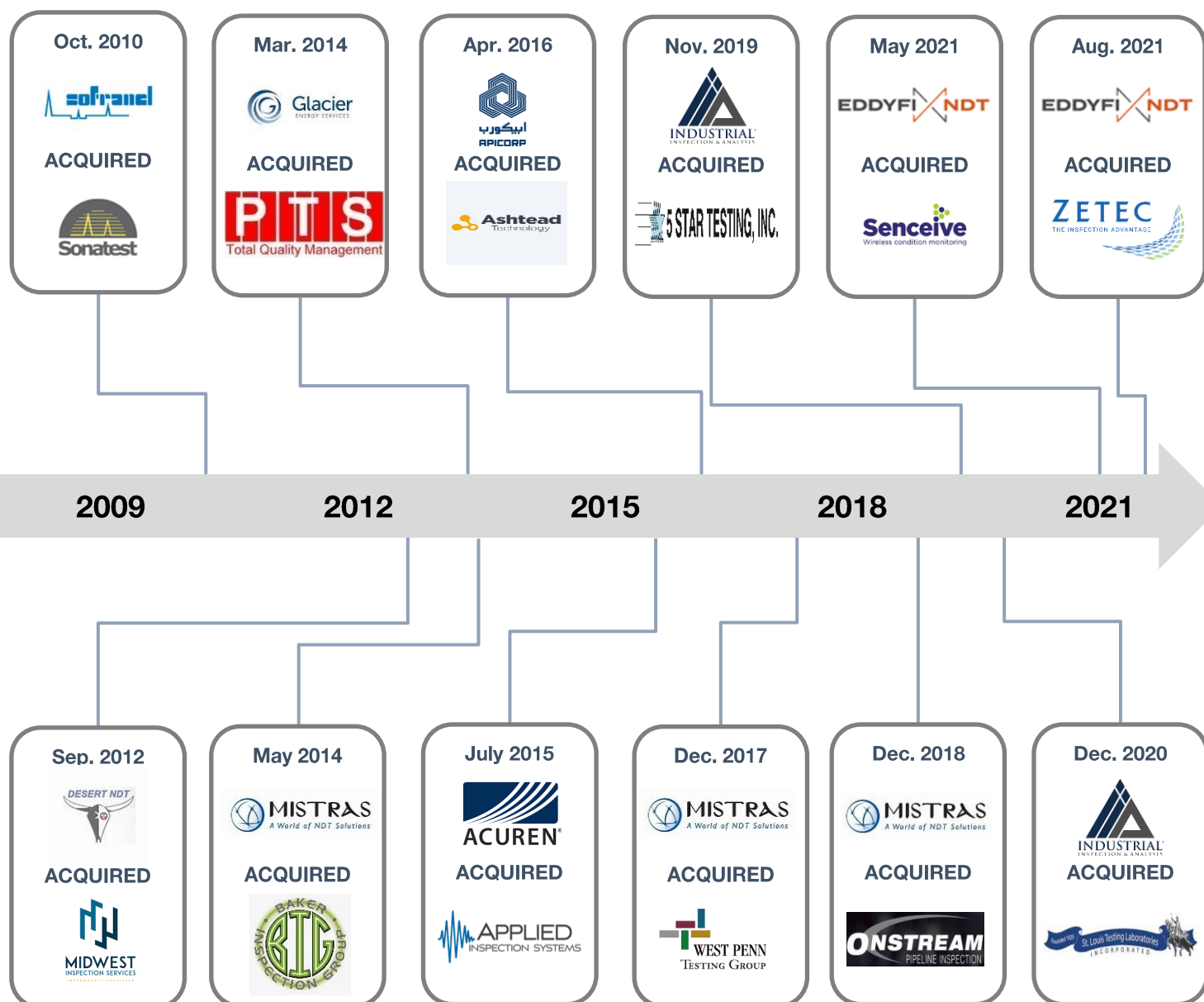


Non-Destructive Testing Market Overview

Method	Description	% of NDT Market	Key Players
Ultrasonic Testing	Ultrasonic Testing is the process of transmitting high-frequency sound waves into a material in order to identify changes in the material's properties	25%	<ul style="list-style-type: none"> MISTRAS Group Bureau Veritas Ashtead Technology Sonatest Ltd
Radiographic Testing	Radiography Testing is the act of using gamma or X-radiation on materials to identify imperfections	22%	<ul style="list-style-type: none"> COMET Group FUJIFILM Holdings ShawCor LynX Inspection
Eddy Current Testing	Eddy Current Testing is a type of electromagnetic testing that uses measurements of the strength of electrical currents (eddy currents) in a magnetic field surrounding a material in order to make determinations about the material including the locations of defects	18%	<ul style="list-style-type: none"> Eddyfi / NDT Olympus General Electric
Magnetic Particle Testing	Magnetic Particle Testing is the act of identifying imperfections in a material by examining disruptions in the flow of the magnetic field within the material	16%	<ul style="list-style-type: none"> MISTRAS Group TEAM Inc. Intertek
Visual Testing	Visual Testing is the act of collecting visual data on the status of a material. Visual Testing is the most basic way to examine a material or object without altering it in any way	11%	<ul style="list-style-type: none"> Nikon Baker Hughes Applus+
Liquid Penetrant Testing	Liquid Penetrant Testing refers to the process of using a liquid to coat a material and then looking for breaks in the liquid to identify imperfections in the material	8%	<ul style="list-style-type: none"> MAGNAFLUX SGS Ocean Vantage Holdings

Historical Non-Destructive Testing Transactions

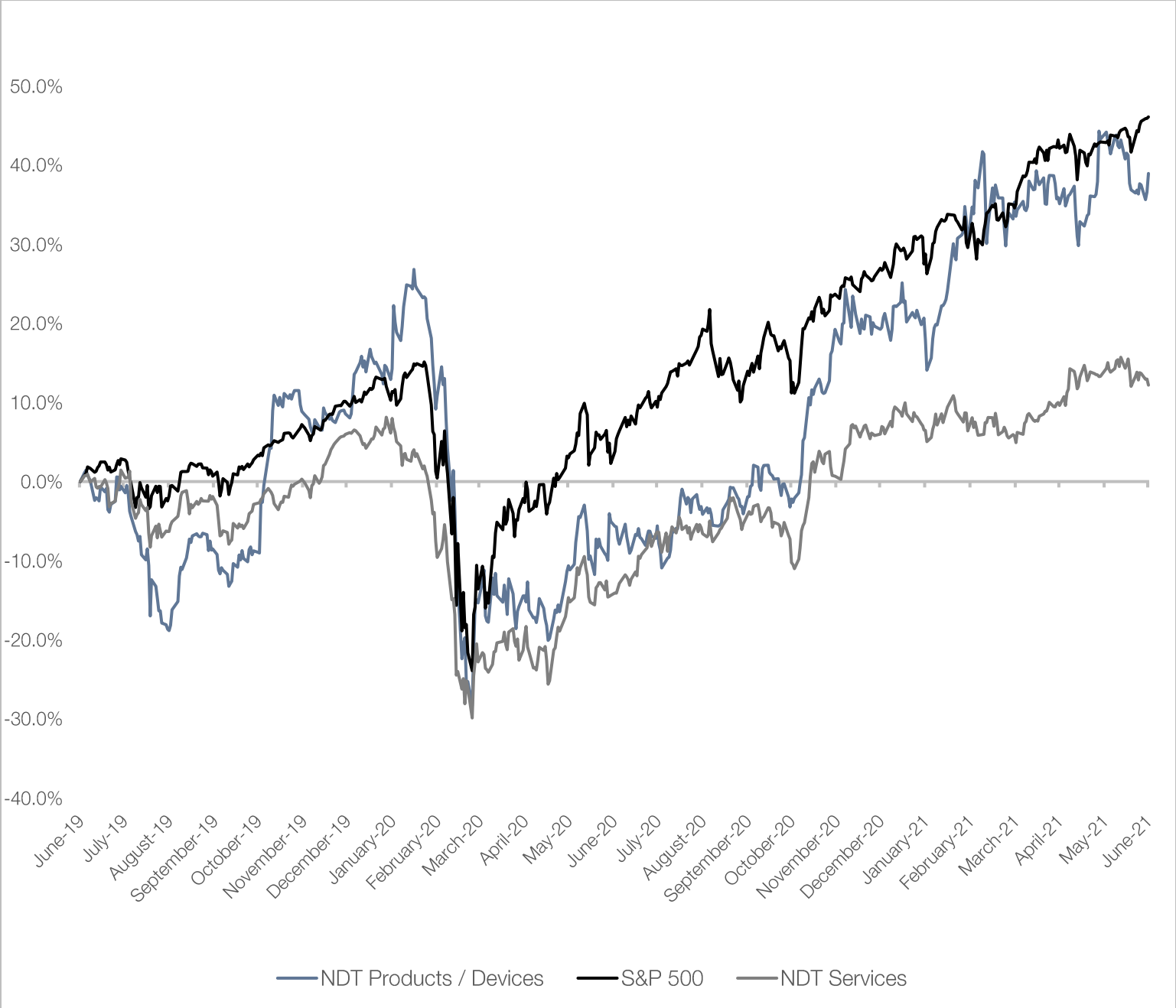
The Non-Destructive Testing market has experienced several sector shifting large transactions, with the most recent being the acquisition of Zetec by EddyFi Technologies in August 2021



Non-Destructive Testing Bouncing back from Year of Uncertainty

In the wake of COVID-related disruptions, NDT companies are benefiting from accelerated adoption of key technologies around automation and process solutions

Non-Destructive Testing Sector Poised for Continued Strong Recovery



Index Key			
NDT Products / Devices		NDT Services	
General Electric	ShawCor	MISTRAS Group	Bureau Veritas
Olympus	FUJIFILM Holdings	TEAM Inc.	Applus+
Nikon		SGS	Intertek
COMET Group		Baker Hughes	Ocean Vantage Holdings

Source: Pitchbook

Key Player Perspectives

Major non-destructive testing market participants see cause for increased optimism and accelerated growth as the industry continues to rebound from COVID-19 in 2021 and moving into 2022

Applus+, *Fernando Basabe – CEO*

(2021 First Half Results Call)

“It is expected that by the end of next year, the business will be fully recovered on an underlying basis to pre-pandemic levels and this with a more sustainable and diversified portfolio that has higher growth and margins. The structural growth drivers in the testing, inspection and certification markets we operate in continue to be robust and our higher quality portfolio of businesses will ensure good long-term growth.”

Eddyfi / NDT, *Martin Theriault – CEO*

(Q1 2021 Press Release)

“Eddyfi / NDT has always valued the importance of confidence in asset owners’ decision-making and understands the pivotal role that remote monitoring plays in keeping both people and infrastructure safe. We are no strangers to the concept of repeatable, high-quality data for integrity management. Today, with the acquisition of Senceive, we are taking our first steps in infrastructure monitoring; a critical, dynamic and huge market segment powered by innovation and technological advances. The timing is perfect to increase focus on this sector, with the global pandemic clearly demonstrating the need to minimize site visits by using wireless remote monitoring solutions.”

TEAM Inc., *Martin Theriault – CEO*

(Q1 2021 Press Release)

“In addition, we continue to invest in the future as TEAM's growing technology and digital portfolio is extremely beneficial to our clients. These advancements allow our clients to remotely access order information and receive real-time updates about inspection and repair work. We have the capability to provide predictive risk-based inspection, analytics, and monitoring, allowing our clients to optimize their asset performance. As clients continue to look for more accretive services with an integrated service provider, our critical asset solutions and advanced technology applications will drive further collaboration.”

Zetec Inc., *Dave Whitley – President*

(Response to new role as President – 2021)

“This is a great time to join Zetec, which has elevated the standards of what customers should expect from a global NDT inspection technology leader. I’m looking forward to leading the company through its next stages of growth.”

MISTRAS Group, *Dennis Bertolotti – CEO*

(Q1 2021 Earnings Call)

“The global pandemic has highlighted our ability to quickly adapt to a very dynamic environment and the attractive cash generating nature of our asset light business model. It has accelerated our development of new data tools and a more technology driven strategy, provided a roadmap to capitalize on the rapid growth of the alternative energy markets and led to an expansion of our aerospace operations into the adjacent defense and private space flight markets. Each of these new markets represents tremendous growth potential in which we can offer high value services that generate attractive returns.”

Selected Non-Destructive Testing Transactions

Announced Date	Acquirer	Target	Commentary / Rationale	EV (\$mm)	EV / EBITDA
8/10/2021	Eddyfi / NDT	Zetec	Zetec, a former subsidiary of Roper Technologies (NYSE:ROP), is a global leader in nondestructive testing (NDT) solutions for critical inspection needs. This acquisition further entrenches Eddyfi / NDT's position as a leader in the NDT space	\$350	20.6x
5/4/2021	Eddyfi / NDT	Senceive	Senceive Ltd is a world leader in the design, manufacture, and continuous improvement of wireless condition monitoring technology that meets the challenges of complex infrastructure needs in a wide range of industry sectors	N/A	N/A
12/8/2020	Industrial Inspection & Analysis, Inc.	St. Louis Testing Laboratories, Inc.	SLTL is a leading commercial testing laboratory that performs testing and inspection services for industrial clients via non-destructive testing, mechanical testing, chemical analysis, metallurgical analysis, and environmental analysis	N/A	N/A
10/20/2020	Applus Services, S.A.	Besikta Bilprovning I Sverige AB	Besikta is a leading statutory vehicle inspection group in Sweden, with a footprint of 185 stations and 560 employees	\$120	~9.0x
9/30/2020	Applus Services, S.A.	Reliable Analysis, Inc.	Reliable Analysis is a laboratory-based materials, component, electrical and electromagnetic compatibility (EMC) testing company with over 300 employees primarily serving the automotive industry	\$79	N/A
12/20/2019	American Securities	Acuren	Acuren is a provider of inspection, engineering and integrated services based in Canada. The company offers advanced NDE / NDT technologies	N/A	N/A
11/5/2019	Industrial Inspection & Analysis, Inc.	5 Star Testing	5 Star is a non-destructive testing and inspection company with nearly 30 years of experience in providing facilities-based inspection services to many of the nation's largest plants, mills, and manufacturing facilities	N/A	N/A
12/13/2018	MISTRAS	Onstream Pipeline Inspection	Onstream Pipeline Inspection Services, Inc. is a leading North American provider of proprietary technology enabling pipeline inspection and data analytics services primarily to the gathering and mid-stream market	\$143	9.0x
12/21/2017	MISTRAS	West Penn Non-Destructive Testing, LLC	West Penn provides a wide variety of non-destructive testing services at its in-house facilities focused primarily on aerospace customers	\$74	N/A

Historical Performance and Markets

Non-destructive testing products / devices and services companies continue to trade at high levels

Company	Enterprise Value	Gross Margin	EBITDA Margin	2021E EV / Revenue	2021E EV / EBITDA
NDT Products / Devices					
General Electric (NYS:GE)	\$151,225	27%	-1%	2.0x	18.3x
FUJIFILM Holdings (TKS: 4901)	\$32,747	40%	14%	1.5x	10.7x
Olympus (TKS: 7733)	\$28,775	63%	21%	3.9x	16.4x
COMET Group (SWX: COTN)	\$2,647	40%	13%	4.8x	25.3x
Nikon (TKS: 7731)	\$1,930	38%	2%	0.4x	3.7x
ShawCor (TSE: SCL)	\$522	20%	4%	0.6x	6.2x
Median	\$15,711	39%	8%	1.7x	13.5x

NDT Services					
Baker Hughes (NYS: BKR)	\$23,925	18%	10%	1.1x	8.9x
SGS (SWX: SGSN)	\$27,012	94%	24%	3.9x	15.9x
Bureau Veritas (PAR: BVI)	\$17,488	71%	17%	3.0x	14.3x
Intertek (LON: ITRK)	\$12,907	N/A	23%	3.3x	14.4x
Applus+ (XMAD: APPS)	\$2,350	91%	16%	1.1x	7.3x
Team Industrial Services (NYS: TISI)	\$485	28%	5%	0.5x	11.5x
MISTRAS Group (NYS: MG)	\$520	30%	10%	0.8x	7.9x
Ocean Vantage Holdings (KLS: 0220)	\$21	22%	13%	1.0x	8.5x
Median	\$7,629	30%	14%	1.1x	11.5x

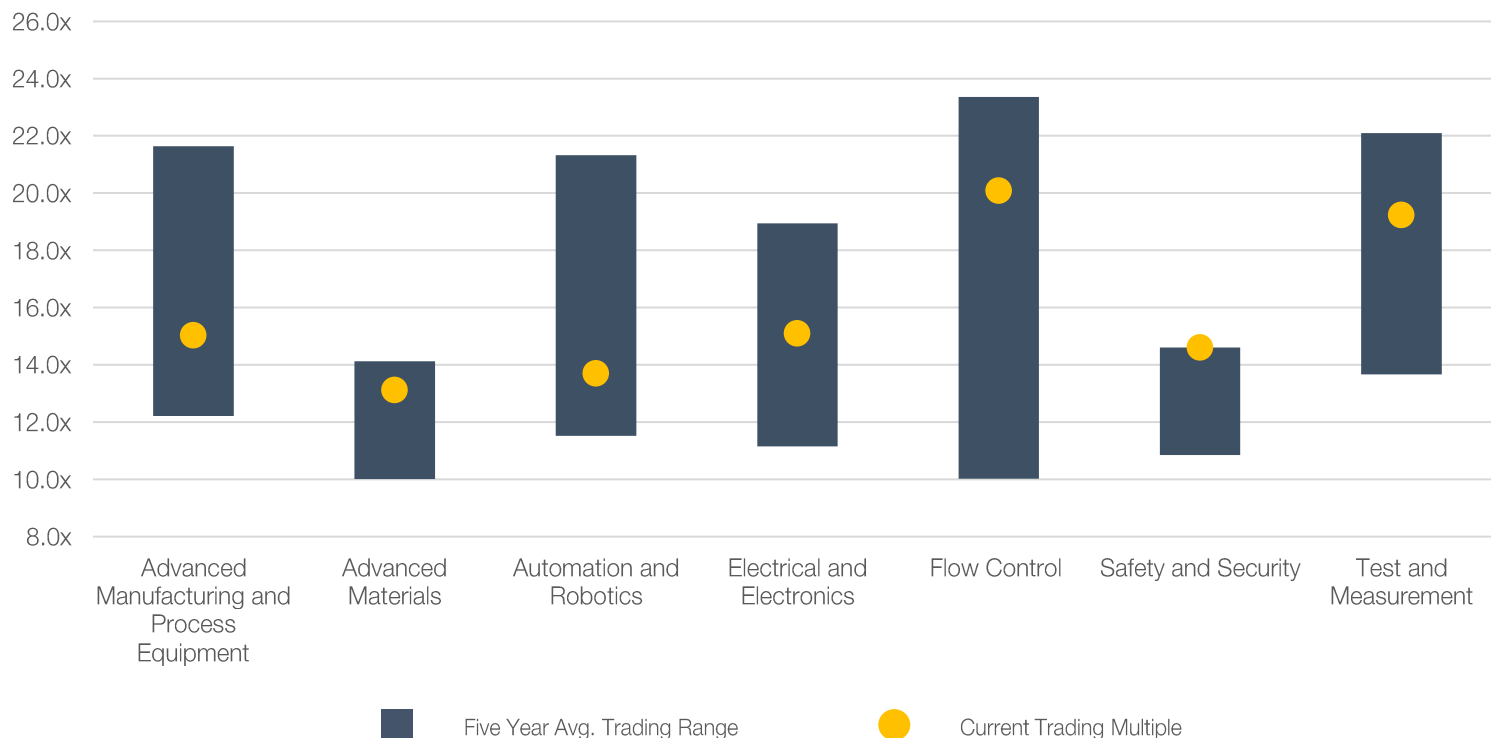
Total Median	\$7,777	38%	13%	1.3x	11.5x
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*\$ in Thousands

Historical Trading Multiple Ranges

Industrial Technology companies continue to trade above other industries while current valuation levels are generally higher than the typical range of the last five years

Trading Comparables by Vertical – Historical Ranges vs Current Multiples



Selected Players in Markets Served

Advanced Manufacturing and Process Equipment



Advanced Materials



Automation and Robotics



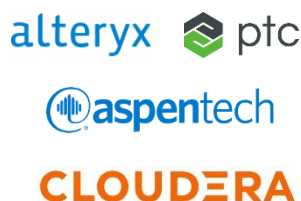
Electrical and Electronics



Flow Control



Industrial Internet of Things



Safety and Security



Test and Measurement



Founders' Industrial Technology Overview

Founders' Industrial Technology team features niche expertise in the industrial technology sector, which includes companies that leverage proprietary products and solutions across numerous end-markets

Industrial Technology Team



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Industrial Technology Subsectors

Advanced Mfg. and Process Equipment

Companies leveraging innovative technologies in the manufacturing process as well as businesses producing equipment and devices used for storage and handling of materials

Advanced Materials

Proprietary technologies and formulations in materials, improving upon existing offerings, often purpose-designed for challenging applications

Automation and Robotics

Solutions serving to automate and integrate the industrial world, including HMI, controllers, and motion control

Electrical and Electronics

Industrial products leveraging proprietary electrical solutions, including lighting, power, and connectivity

Industrial Internet of Things

Technologies serving across the flow of data and operational insights for industrial end markets, including machine connectivity, AI / ML, and predictive analytics software

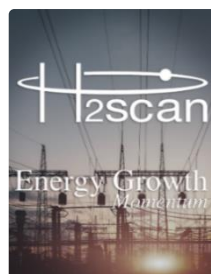
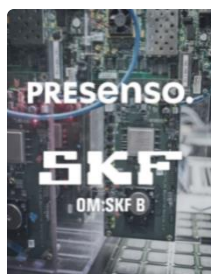
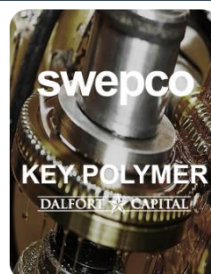
Safety and Security

Products and services used to secure assets and protect people in residential, commercial, and industrial environments

Test and Measurement

Equipment and services used to monitor and assess products to ensure performance, specifications, and safety along the product life-cycle

Select Industrial Technology Transactions



About Founders Advisors

Who We Are

Serving Founders and Business Owners

- Independent investment banking advisory firm focused on founder-owned small and medium sized businesses since 2003
- Senior bankers with decades of experience in banking, private equity, business development, industry, and entrepreneurship
- Headquartered in Birmingham, AL, with offices in Dallas and Houston
- Industry expertise across six focus industries of Consumer, Industrial Services, Healthcare, Technology, Industrial Technology, and Energy
- Founders has been a trusted advisor to hundreds of small and medium sized business owners, supporting growth and transitions through tailored financing, recapitalization, and transaction solutions

Industry Coverage

Business Services	Consumer	Energy	Healthcare
			
Industrial Services	Industrial Technology	Technology	
			

M&A and Financing Expertise

Sell-Side M&A	Buy-Side M&A
Leveraged Recapitalization	Debt Financing
Minority Recapitalization	Growth Capital

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