

Industrials Update | Q1 2019



► Introduction and Overview

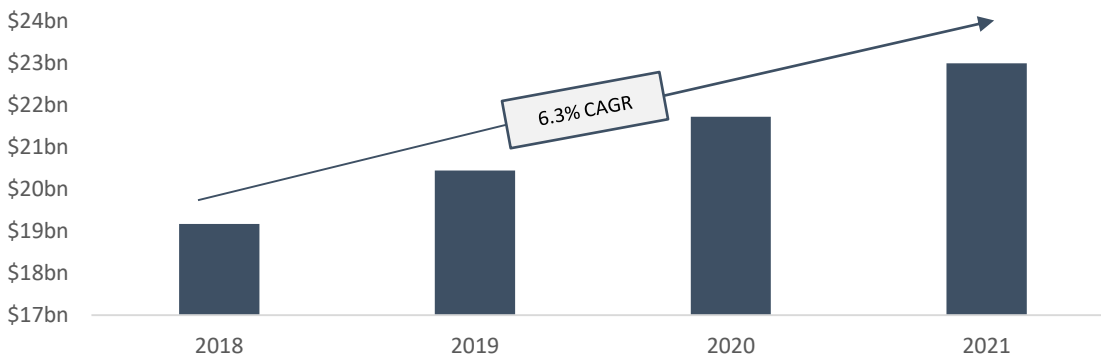
In this edition of Founders' Industrials Update, we focus our attention on the test and measurement industry. As valuation levels for this sector continue to rise, M&A activity has risen in tandem. This update analyzes several of the key trends for the industry, breaks down the core segments, tracks historical valuation trends, provides a snapshot of key players, and reviews key M&A transactions in 2018 for the test and measurement sector.

Test and Measurement Industry Growth and Key Trends

► Growth Expected to Continue Over the Near-Term

As seen in the chart below, the near-term outlook in the test and measurement space is positive. The size of the global market was estimated at \$19.2bn for 2018, and the market is expected to grow \$3.8bn USD over the next three years, a CAGR of 6.26%.

Global Test and Measurement Market Size Forecast



Source: Technavio

► Key Trends

This continued growth is attributable to a number of factors highlighted below. Continued development in **autonomous driving** necessitates innovative test and measurement solutions to address holistic automation systems incorporating electronic, mechanical, and software capabilities. As **5G technology** begins rolling out, vendors require T&M solutions with greater technical complexity to address the unique challenges of higher speed digital standards. **Cloud capabilities** are continuing to grow, as remote monitoring solutions rise in popularity for their ability to leverage highly skilled technicians without the need to be physically present.

Industrials Team

Gene Bazemore

ebazemore@foundersib.com

Vaughn McCrary

vmccrary@foundersib.com

Kendrick Vinar

kvinar@foundersib.com

Jacob Brackmann

jbrackmann@foundersib.com

Industrial Services Team

John Sindors

jsindors@foundersib.com

John Sullivan

jsullivan@foundersib.com

Evan Klisares

eklisares@foundersib.com

Tripp Salem

tsalem@foundersib.com

"Demand for test and measurement solutions is driven by an exponentially growing need for data as we move towards Industry 4.0."

Gene Bazemore, Managing Director

Test and Measurement Industry Overview

Breakdown of the Test and Measurement Market

The T&M Market Can Be Thought of in Three Broad Buckets, Illustrated Below

Testing, Inspection, and Certification (TIC)

Companies provide range of services including auditing, testing, verification, quality assurance, and certification



Industrial Instruments

Companies manufacture advanced instruments for monitoring, metering, and sensing applications in end markets such as process, aerospace, power, and broader industrial markets



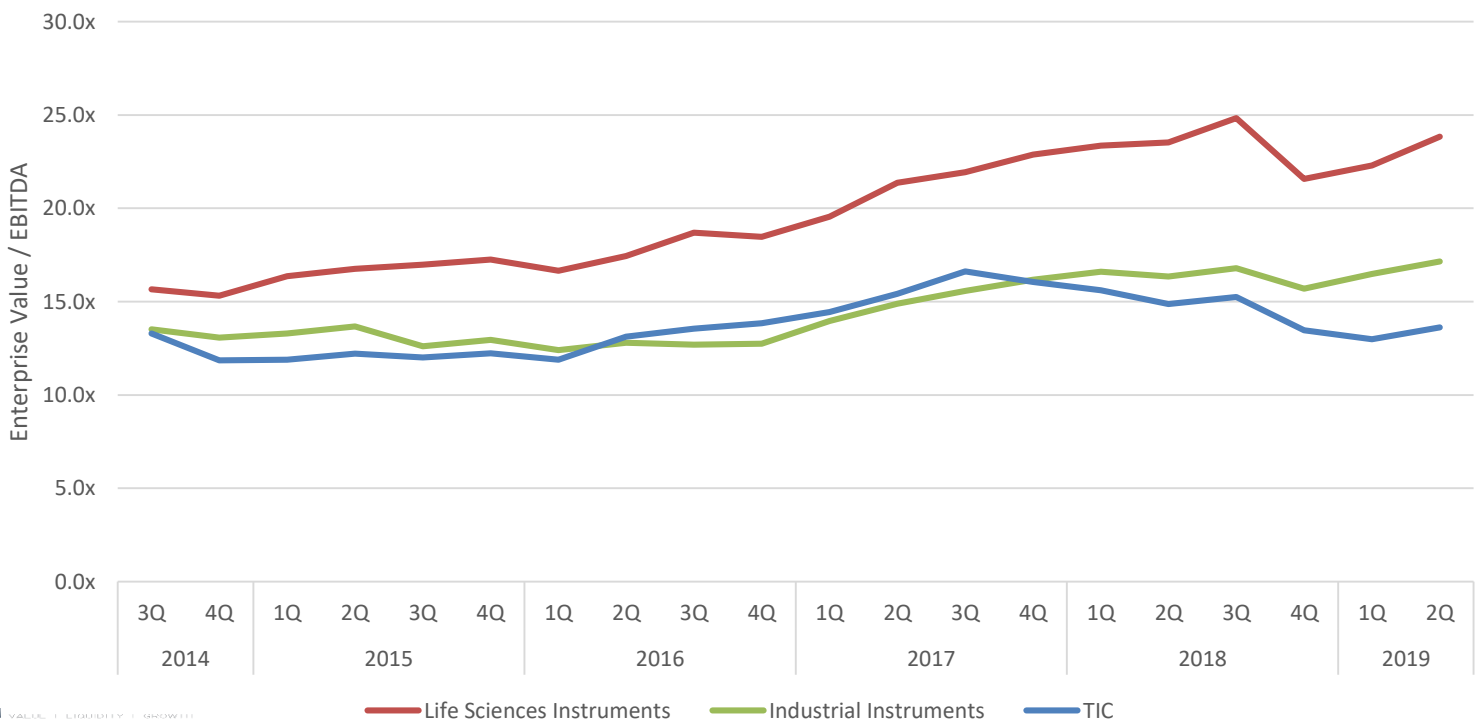
Life Sciences Instruments

Companies manufacture measurement solutions for the medical and life science industries; applications include diagnostic tools and more



Recent Valuation Trends

All Sectors of the Test and Measurement Market Are Trading At or Near Historic Highs



Key Players in the Test and Measurement Industry

Test & Measurement		Market Cap	2018 Revenue	2018 EBITDA	Enterprise Value /		2019P Revenue	2019P EBITDA	Enterprise Value /		
Ticker	Company Name				2018 Revenue	2018 EBITDA			2019P Revenue	2019P EBITDA	2019P Revenue
TIC											
	SGSOY	SGS SA	19,512.0	6,870.2	1,370.9	3.0x	14.8x	7,028.9	1,435.6	2.9x	14.2x
	IKTSF	Intertek Group plc	11,245.1	3,580.8	738.2	3.4x	16.6x	3,735.1	767.9	3.3x	16.0x
	BVRDF	Bureau Veritas SA	10,731.1	5,469.6	1,000.3	2.4x	13.1x	5,680.6	1,055.8	2.3x	12.5x
	ERFSF	Eurofins Scientific SE	7,212.0	4,346.9	803.6	2.4x	12.8x	5,047.6	922.8	2.0x	11.1x
	ALQ	ALS Limited	2,317.2	1,114.6	233.7	2.5x	11.8x	1,161.1	246.4	2.4x	11.2x
	Min		2,317.2	1,114.6	233.7	2.4x	11.8x	1,161.1	246.4	2.0x	11.1x
	Median		10,731.1	4,346.9	803.6	2.5x	13.1x	5,047.6	922.8	2.4x	12.5x
	Mean		10,203.5	4,276.4	829.4	2.7x	13.8x	4,530.7	885.7	2.6x	13.0x
	Max		19,512.0	6,870.2	1,370.9	2.5x	13.1x	7,028.9	1,435.6	2.4x	12.5x

Industrial Instruments											
	ROP	Roper Technologies, Inc.	37,862.5	5,177.7	1,788.0	8.2x	23.6x	5,416.1	1,925.0	7.8x	21.9x
	FTV	Fortive Corporation	25,913.2	6,453.4	1,492.3	4.4x	18.9x	7,484.2	1,802.5	3.8x	15.6x
	AME	AMETEK, Inc.	19,364.2	4,835.4	1,269.2	4.5x	17.1x	5,250.0	1,394.9	4.1x	15.5x
	KEYS	Keysight Technologies, Inc.	15,774.4	3,868.7	867.0	4.2x	18.8x	4,220.7	1,034.6	3.9x	15.7x
	ST	Sensata Technologies Holding plc	7,409.2	3,539.5	940.6	2.8x	10.7x	3,585.9	971.9	2.8x	10.4x
	NATI	National Instruments Corporation	5,260.1	1,379.1	251.2	3.5x	19.2x	1,377.6	251.3	3.5x	19.2x
	Min		5,260.1	1,379.1	251.2	2.8x	10.7x	1,377.6	251.3	2.8x	10.4x
	Median		17,569.3	4,352.0	1,104.9	4.3x	18.8x	4,735.3	1,214.7	3.8x	15.7x
	Mean		18,597.3	4,209.0	1,101.4	4.6x	18.1x	4,555.7	1,230.0	4.3x	16.4x
	Max		37,862.5	6,453.4	1,788.0	8.2x	23.6x	7,484.2	1,925.0	7.8x	21.9x

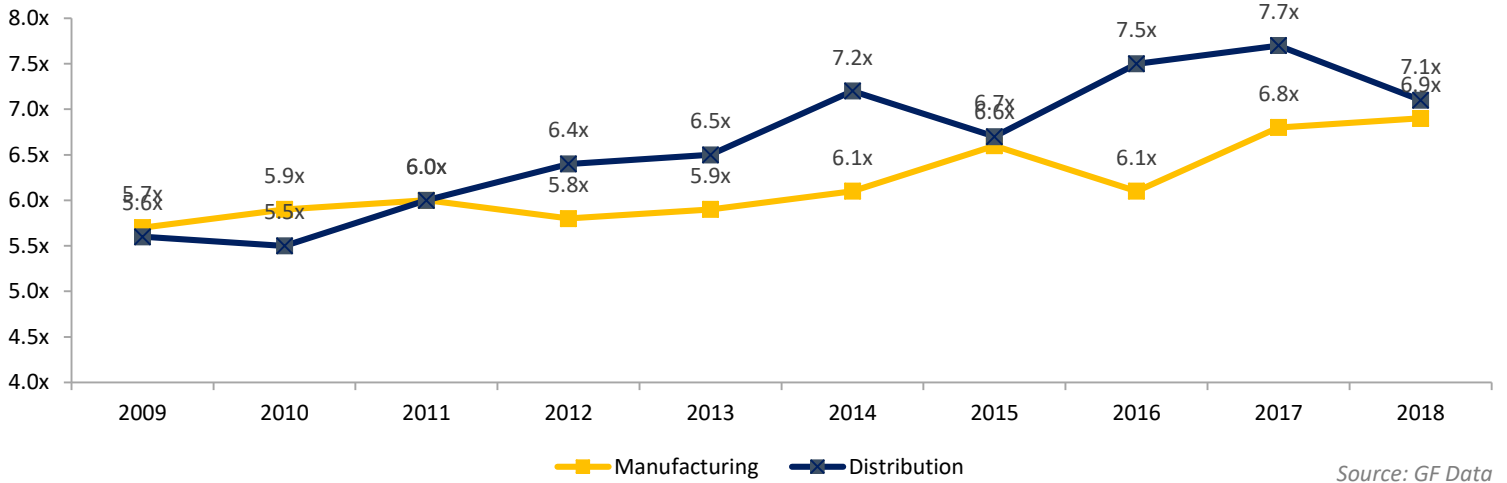
Life Sciences Instruments											
	TMO	Thermo Fisher Scientific Inc.	114,098.6	24,078.4	6,141.6	5.5x	21.5x	25,452.2	6,560.0	5.2x	20.1x
	A	Agilent Technologies, Inc.	22,110.1	4,875.1	1,213.9	4.5x	17.9x	5,104.9	1,296.0	4.3x	16.8x
	IDXX	IDEXX Laboratories, Inc.	23,027.3	2,209.0	581.3	10.9x	41.4x	2,412.7	659.4	10.0x	36.5x
	MTD	Mettler-Toledo International Inc.	19,620.9	2,925.5	769.1	7.1x	26.8x	3,039.2	837.1	6.8x	24.7x
	WAT	Waters Corporation	14,117.4	2,407.7	842.3	5.9x	16.9x	2,461.2	860.0	5.8x	16.5x
	Min		14,117.4	2,209.0	581.3	4.5x	16.9x	2,412.7	659.4	4.3x	16.5x
	Median		22,110.1	2,925.5	842.3	5.9x	21.5x	3,039.2	860.0	5.8x	20.1x
	Mean		38,594.9	7,299.2	1,909.6	6.8x	24.9x	7,694.0	2,042.5	6.4x	22.9x
	Max		114,098.6	24,078.4	6,141.6	10.9x	41.4x	25,452.2	6,560.0	10.0x	36.5x

Selected 2018 Test and Measurement M&A Transactions

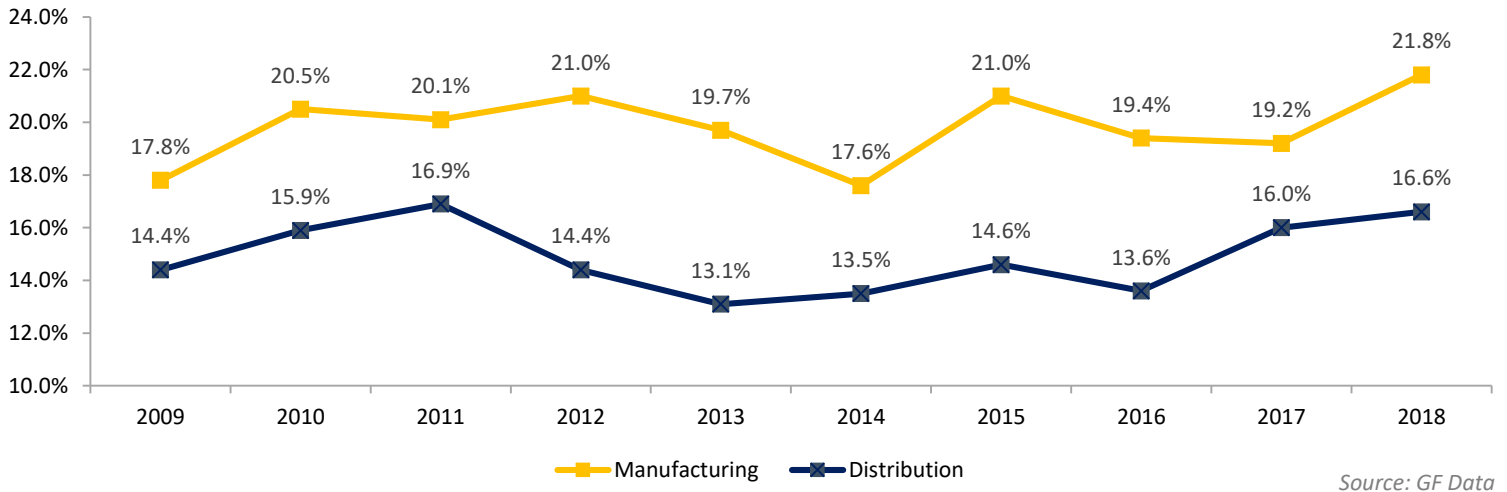
Announced Date	Target Name	Buyer Name	Transaction Value	Enterprise Value / LTM		LTM EBITDA
				Revenue	EBITDA	
12/31/2019	Atachafalaya Measurement, Inc.	SPL (Industrial Growth Partners)	-	-	-	-
12/19/2018	Princeton Instruments, Inc. /Other Brands	Teledyne Technologies Incorporated	\$225.00	2.5x	11.5x	22%
11/1/2018	Pacific Biosciences of California, Inc.	Illumina, Inc.	\$1,165.60	13.9x	NM	NM
8/3/2018	Alchemy Systems, LP	Intertek Group plc	\$480.00	7.3x	21.8x	33%
7/9/2018	Neutronics Inc.	Bacharach, Inc.	-	-	-	-
5/16/2018	Abaxis, Inc.	Zoetis Inc.	\$1,827.80	7.5x	39.4x	19%
4/30/2018	Covance Food Solutions	Eurofins Scientific SE	\$670.00	-	-	-
4/18/2018	Tools & Test Business of Textron Inc.	Emerson Electric Co.	\$810.00	1.7x	15.7x	11%
3/7/2018	Advanced Analytical Technologies	Agilent Technologies, Inc.	\$250.00	-	-	-
2/13/2018	MPI Research Inc.	Charles River Laboratories International, Inc.	\$800.00	-	-	-
2/6/2018	Noise, Environmental and Heat Stress Monitoring Products of 3M Company	TSI Incorporated	-	-	-	-
1/26/2018	Concept Life Sciences Limited	Spectris plc	\$231.00	3.3x	17.5x	19%
1/9/2018	Vanguard Sciences	SGS SA	-	-	-	-

Middle Market M&A Transaction Statistics

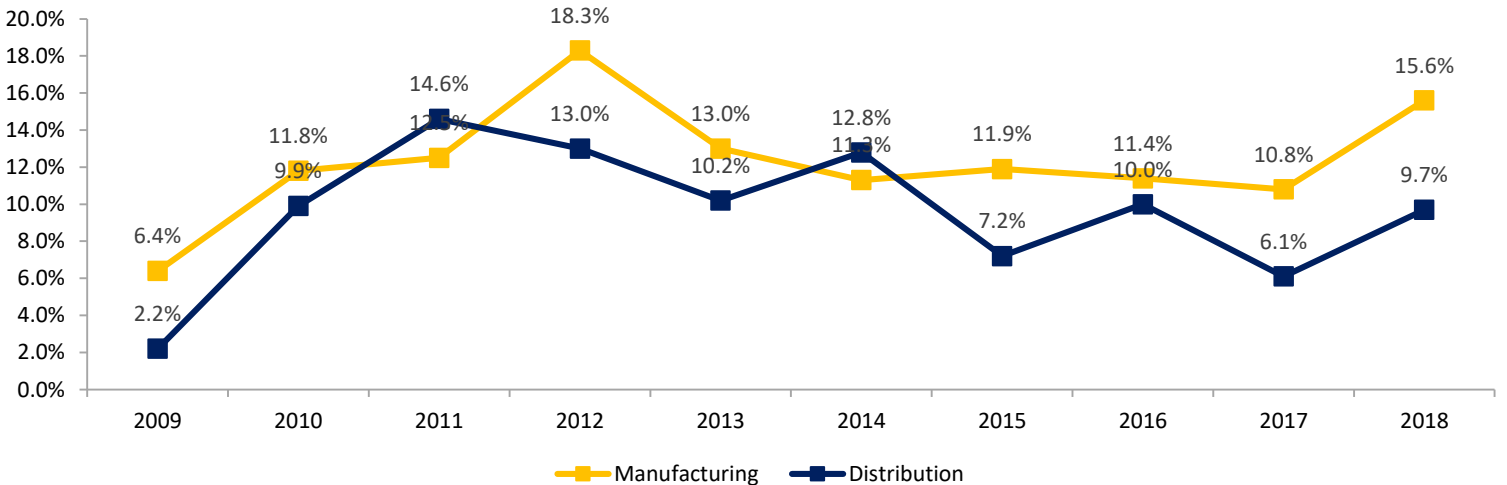
Private Equity Sponsored Middle Market Transaction EBITDA Multiples



Private Equity Sponsored Middle Market Transaction EBITDA Margins



Private Equity Sponsored Middle Market Transaction TTM Revenue Growth



About Founders Advisors

Founders Advisors (Founders) is a merger, acquisition & strategic advisory firm serving middle-market companies. Founders' focus is on business services, consumer, energy, healthcare, industrials, and technology companies throughout the United States. Founders' skilled professionals, proven expertise and process-based solutions help companies access growth capital, make acquisitions, and/or prepare for and execute liquidity events to achieve specific financial goals. In order to provide securities-related services discussed herein, certain principals of Founders are licensed with M&A Securities Group, Inc. or Founder M&A Advisory, LLC, both members FINRA & SIPC. Founders M&A Advisory is a wholly owned subsidiary of Founders. M&A Securities Group and Founders are not affiliated entities. For more information, visit www.foundersib.com.



Contact

For more information, visit www.foundersib.com, call us at 205.949.2043, or contact the Industrials or Industrial Services team directly by email:

Industrials

Gene Bazemore, Managing Director
 ebazemore@foundersib.com

Vaughn McCrary, Senior Associate
 vmccrary@foundersib.com

Kendrick Vinar, Senior Analyst
 kvinar@foundersib.com

Jacob Brackmann, Analyst
 jbrackmann@foundersib.com

Industrial Services

John Sinderson, Managing Director
 jsinders@foundersib.com

John W. Sullivan, Vice President
 jsullivan@foundersib.com

Evan H. Klisares, Associate
 eklisares@foundersib.com

Tripp Salem, Associate
 tsalem@foundersib.com

BIRMINGHAM

2204 Lakeshore Drive, Suite 425
 Birmingham, AL 35209-8855
 Phone: 205.949.2043
 Fax: 205.871.0010

DALLAS

180 State Street, Suite 225
 Southlake, TX 76092
 Phone: 214.295.1055
 Fax: 214.295.1047

HOUSTON

24275 Katy Freeway, Suite 400
 Katy, TX 77494
 Phone: 713.412.0313