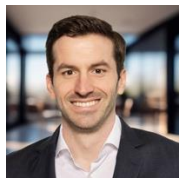


# Manufacturing & Distribution Perspectives

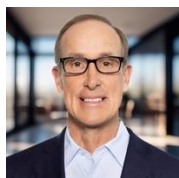
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## M&D Deal Highlights

<b>7%</b>	<b>12%</b>	<b>27%</b>
increase in YOY deal volume	increase in YOY deal value	Private equity involvement

## Notable Quotes & Trends:

"We've got a good strong labor market. We think we've been making progress toward the price stability goal!" – **Jerome Powell, Fed Chairman**

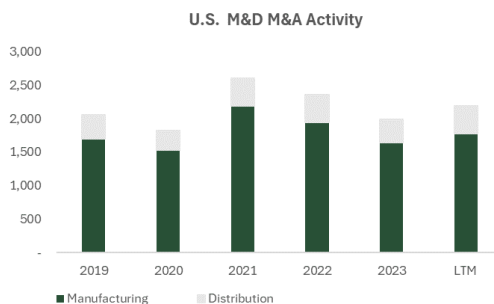
"The Fed needs to act sooner rather than later to avoid unnecessary risk and overcorrecting at a later date" – **Mohamed El-Erian**

Over the past five months, economists have marked up their 2024 projections for global real GDP growth from about 2.5% to 3% and lowered forecasts for Federal Reserve (Fed) rate cuts from seven to just two.

Nine out of 10 business economists predict the economy is heading for a soft landing in 2024, according to the May outlook from the National Association for Business Economics.

## BUILDING BACK M&A MOMENTUM

M&A volumes in the Manufacturing & Distribution sector finally turned positive in early 2024 after several years of decline. The recovery in deal-making is poised to accelerate in the 2<sup>nd</sup> half of the year as concerns over supply chain, commodity prices, and labor conditions have eased. From a capital markets standpoint, the renewed M&A activity is being driven by much improved debt markets, record highs for equity prices, slowing overall inflation, and anticipated reductions in interest rates later this year. Distribution M&A activity in particular had a robust start to the year, increasing by over 15% in Q124 compared to Q123. This growth is largely attributed to strong corporate balance sheets and improving CEO confidence in macroeconomic conditions. Manufacturing companies with excess cash are looking to M&A to improve efficiency and drive margin improvement by acquiring new and developing technologies, and business model enhancements such as 3D printing, robotics, artificial intelligence, data analytics, and automation. Companies are also looking to acquire more redundant manufacturing capabilities in multiple regions to offset the potential for disrupted global supply chains in the future.



## SOFT LANDING ON TRACK

U.S. industrial production had its largest increase in a year, jumping in May on signs of renewed strength in the manufacturing sector. Federal Reserve data showed industrial production rose 0.9% in May, higher than the 0.4% increase that was expected. Capacity utilization also came in a tick over expectations by increasing 78.7%. Manufacturing led the gains in production, followed by increases in consumer goods and business equipment. Other key M&D macro and market variables including GDP growth, unemployment rates, household incomes, and corporate profit margins all continue to be healthy which should help fuel a resurgence in deal-making in the M&D sector for the foreseeable future.

## MARKET PULSE

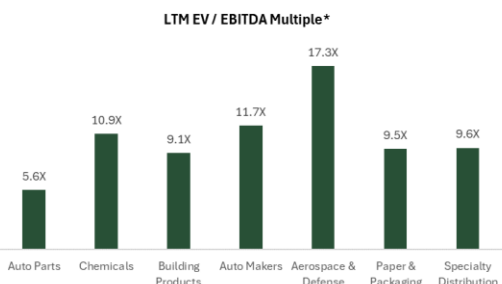
Manufacturing & Distribution M&A activity will likely rise for the remainder of 2024 as corporate buyers once again turn to M&A after normalizing internal operations impacted by supply chain challenges, tight labor markets, and rising inflation. Private equity firms are also reemerging after a long hiatus and will likely get more aggressive on pricing deals as debt markets continue to ease. As for valuations, the mean EV/EBITDA multiple for publicly traded manufacturing and distribution companies in the 2024 year-to-date period increased over a full turn, reflecting positive investor sentiment driven by both strong corporate earnings and favorable economic conditions.

## DEAL & VALUATION TRACKER

### Recent M&D Headline Deals

Acquirer	Target	Value (billions)
KPS CAPITAL PARTNERS, LP	INNOVATICS	\$3.80
Blackstone	COPELAND	\$3.50
MITER BRANDS	DCI	\$3.10
APOLLO	Panasonic	\$2.05
KKC	MOMENTIVE	\$1.51

### Public M&D Multiples



\*As of 6/15/24

G-Side Capital Advisors provides independent M&A and ancillary investment banking advisory services to privately-held middle market businesses in a variety of industries. Learn more at [www.g-sideca.com](http://www.g-sideca.com).