



Capstone Partners

MAINTENANCE, REPAIR & OPERATIONS

Q3 2017

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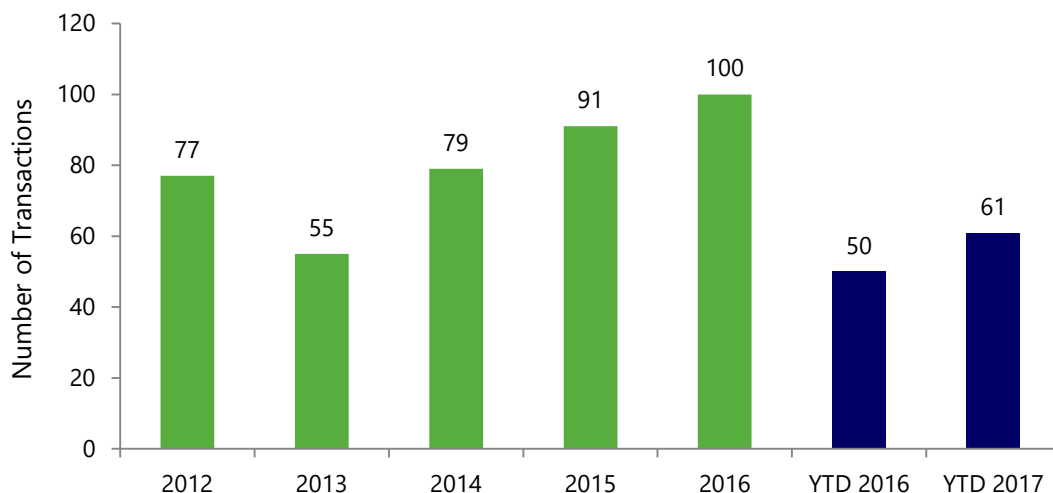
MERGER & ACQUISITION ACTIVITY

Merger and acquisition (M&A) activity in the Maintenance, Repair & Operations (MRO) industry has increased at a rapid pace thus far in 2017, largely due to technological developments and high levels of interest from both strategic and private equity buyers. From 2014 to 2016, MRO deal volume grew at a compound annual growth rate of 12.5%. Year-to-date (YTD) volume, however, has grown at almost double that pace at 22.0%.

Capstone has noticed an uptick in demand for MRO companies across the board and especially in the energy management space, which has seen seven acquisitions in Q2 alone. Advancements in Internet of Things (IoT) technology, connectivity, cloud storage and analytics have benefitted the MRO industry, increasing the usefulness of energy management and remote diagnostics solutions. In turn, these companies have been in higher demand from acquirers. Recent acquisitions include that of EnerNOC and Converge (energy management), and MVDS and Mpulse (remote diagnostics).

Both strategic and private equity buyers have been highly acquisitive in the MRO industry in 2017, accounting for 60.7% and 39.3% of total deal volume, respectively. Private equity groups are flush with \$545.5 billion in capital, according to Pitchbook, making them highly acquisitive and competitive buyers. Several notable private equity groups have made acquisitions in the MRO industry YTD including Audax (acquired Academy Fire Protection), Gryphon (acquired Wind River Environmental) and Sun Capital Partners (acquired Horizon Services).

M&A Activity: MRO



YTD ended July 31

Source: Capital IQ and Capstone Partners LLC Research

NOTABLE TRANSACTIONS

Several notable transactions were completed in the MRO industry through Q3 2017. Select transaction profiles are outlined below, followed by a more comprehensive list in the subsequent table.

- ▶ **Enel Group acquired EnerNOC (August 2017)** – Enel Green Power North America, a subsidiary of the Enel Group, acquired EnerNOC for an enterprise value of \$293.6 million at a revenue multiple of 0.7x. EnerNOC is a leading provider of demand response solutions and energy intelligence software that helps control energy costs, mitigate risk, and streamline compliance & sustainability reporting. It will enable Enel to expand its capacity, add customers in the US, and leverage new technological solutions.
- ▶ **Propell American acquired Total Equipment and Service (T.E.A.S. - (March 2017)** – Propell American (Propell) acquired T.E.A.S., a manufacturer and repairer of oilfield equipment (terms not disclosed). Propell will expand its services capabilities and its offerings to include T.E.A.S.'s coil tubing and well stimulation equipment. James Easden, Propell's President, commented, "by combining the assets of two strong companies, we now have a complete product portfolio under one aligned brand."

ACTIVE BUYER PROFILE

Audax Private Equity – Audax is a private equity firm that partners with management teams of established, market-leading companies, and creates much larger entities through acquisition and organic growth. Since inception, Audax has invested \$4 billion in 106 platforms and 595 add-ons. Audax has acquired several facility services companies, like **Academy Fire Life Safety**, a provider of inspection, services and installation for fire alarms, sprinklers, extinguishers and fire suppression systems. Other platforms in this space include **EnviroVac Holdings** (provider of cleaning and maintenance services to power and utilities); **Imperial Dade** (distributor of foodservice disposables and janitorial and sanitation supplies), and **Source Refrigeration & HVAC** (provides HVAC repair and maintenance services).

Q: Are you bullish on the MRO industry?

A: Yes: we are actively seeking add-ons to expand services or national footprint for each MRO investment, with no minimum size criteria, in addition to the add-on acquisitions already completed by our current platforms (Academy Fire - 1 add-on, Imperial Dade - 5 add-ons, Source Refrigeration - 2 add-ons, EnviroVac is seeking add-ons). We also seek new investments in other products/services relating to any regularly scheduled maintenance (platform size range EBITDA \$5mm-\$35mm).

Q: What characteristics will Audax pay premiums for?

A: Proven management, strong EBITDA growth prospects, and/or a broad geographic footprint. With our disciplined Buy & Build approach, Audax seeks to help platform companies augment organic growth with acquisitive growth that optimizes operations and significantly increases equity value.

MRO: SELECT M&A TRANSACTIONS

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
07/25/17	MVDS	Autologic Diagnostics	Manufactures a remote diagnostics and repair tablet.	-	-	-
07/25/17	The Thortex Group	Avalign Technologies	Offers coatings and repair materials for machinery, equipment, buildings and process structures.	-	-	-
07/17/17	Heatwurx	Promet Therapeutics	Operates as an asphalt repair equipment and technology company.	-	-	-
07/07/17	eCap Network	Cpower	Provides energy management and project development services.	-	-	-
07/06/17	Project Performance	Data Systems Analysts	Provides energy management, environmental sustainability and systems development services.	-	-	-
06/30/17	T.P. Rental Services	GC Warehouse	Offers tool and equipment rental and repair services.	-	-	-
06/26/17	CSM Compressor	Burckhardt Compression	Repairs and re-conditions natural gas compressors.	-	-	-
06/22/17	EnerNOC	Enel Green Power North America	Provides demand response solutions and energy intelligence software solutions.	\$293.6	0.7x	-
06/22/17	Therma	Gemspring Capital	Offers energy, HVAC and preventive maintenance services.	-	-	-
06/07/17	Emcon Associates	Quality Solutions	Provides facilities management logistics solutions.	-	-	-
06/06/17	Idénergie	Fieldex Exploration	Develops a residential energy management platform to generate electricity from the natural flow of a river.	-	-	-
06/03/17	Bovard Heating and Cooling	Goodco Mechanical	Provides heating, cooling, furnace and air conditioning installation, repair and maintenance services.	-	-	-
05/16/17	Magnetech Power Services	CE Power Engineered	Provides total maintenance, repair and overhaul services for circuit breakers and switchgear.	-	-	-
05/12/17	Marine Clean	Envirosystems	Provides cleaning, degreasing and disposal services for petroleum based products.	-	-	-
05/11/17	TestEquity	Luther King Capital	Distributes electronic test and measurement solutions and MRO tools and supplies.	-	-	-
05/08/17	Comverge	Itron	Provides intelligent energy management solutions for utility, industrial customers and residential consumers.	\$100.0	1.7x	-
05/04/17	Residential Control Systems	Universal Electronics	Manufactures energy management and controlling products.	\$9.0	-	-
05/02/17	AcuCal	Trescal	Provides calibration and repair services.	-	-	-
04/25/17	Field Diagnostic Services	mCLOUD	Provides monitoring and diagnostic solutions for the HVAC and refrigeration industry.	-	-	-
04/19/17	Academy Fire Protection	Audax	Installs and maintains portable fire extinguishers, fire sprinklers and non-proprietary fire alarms.	-	-	-
04/19/17	Specialty Welding	Hastings Equity	Provides installation, repairs and furnaces erections for petrochemical, chemical and refining companies.	-	-	-
04/17/17	Daikin's Cleveland Bus.	GARDINER	Offers maintenance and repair services.	-	-	-
04/10/17	Accessory Technologies	Wencor Group	Services pneumatic valves, electro-mechanical actuators and electrical components.	-	-	-

MRO: SELECT M&A TRANSACTIONS (CONTINUED)

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	LTM EBITDA
04/04/17	Wind River Environmental	Gryphon Investors	Services, repairs and inspects non-hazardous liquid waste systems.	-	-	-
04/03/17	EXCEL Roofing Service	Fidelity Roof	Provides industrial, commercial and multi-family unit reroofing services.	-	-	-
04/03/17	Regulator Control Repair	Advanced Electronic Services	Provides repairs and technical services to the utility sector.	-	-	-
04/01/17	MPulse Software	JDM Technology	Provides maintenance management software for MRO and facility management.	-	-	-
03/13/17	Raf Fluid Power	Electro-Matic Ventures	Operates as an electrical repair shop.	-	-	-
03/07/17	Horizon Services	Sun Capital Partners	Provides plumbing, heating and air conditioning services.	-	-	-
03/06/17	Cryostar	Cryostar	Manufactures and services cryogenic pumps and spare pumps.	-	-	-
03/02/17	Appalachian Railcar Services	GenNx360 Capital	Offers railcar maintenance, mobile repair, track repair and railcar storage services.	-	-	-
03/02/17	All-Sea Enterprises	Subsea Global	Provides underwater ship repair and maintenance services.	-	-	-
03/01/17	Total Equipment And Service	Propell American	Manufactures, services and repairs oilfield equipment.	-	-	-
02/22/17	Business Physiks	Savicom	Develops and operates a web based work order management platform.	-	-	-
02/20/17	Primet Fluid Power	Ritter Technology	Distributes and repairs hydraulic, pneumatic and lubrication systems and components.	-	-	-
02/20/17	SEMtech Systems	ParkingSOFT	Installs, maintains and repairs residential and industrial access control products.	-	-	-
02/09/17	Guitech Services	Russell Hendrix Foodservice	Provides maintenance, repair, parts and services for the foodservice equipment market.	-	-	-
02/09/17	Renew Valve & Machine	FCX Performance	Provides industrial valve repair services for power, steel, refining, paper and pipeline industries.	-	-	-
02/09/17	Vcharge	OVO Energy	Develops intelligent infrastructure for transactive electric loads for energy management.	-	-	-
02/06/17	Hoffman Southwest	ORIX Capital	Provides video inspection, cleaning and rehabilitation services for pipelines.	-	-	-
02/03/17	Baumgardner Hydraulic Service	Hydradyne	Provides hydraulic repair services.	-	-	-
01/31/17	Crane Service & Inspections	Crane 1 Services	Offers repair, rebuilding and inspection services for cranes, hoists, monorails and lifting devices.	-	-	-
01/31/17	Sealweld	KMG Electronic Chemicals	Designs and manufactures valve cleaners, lubricants and sealants for pipelines.	\$17.3	1.4x	6.6x
01/25/17	NES Rentals	United Rentals	Distributes and repairs aerial equipment such as boom lifts, scissor lifts and forklifts.	-	-	-
01/19/17	Direct Elevator Services	Newlook Capital	Provides maintenance services for elevators.	-	-	-
01/17/17	Hetsco	Chart Lifecycle	Offers specialty welding, construction and fabrication services.	\$22.0	-	-

CAPSTONE PARTNERS: SELECT MRO TRANSACTIONS

<p>CONFIDENTIAL</p> <p>corporate sale (IN PROCESS)</p> <p>DISTRIBUTES MECHANICAL FASTENERS</p>	<p>CONFIDENTIAL</p> <p>corporate sale (IN PROCESS)</p> <p>FIRE SUPPRESSION SYSTEMS</p>	<p>CONFIDENTIAL</p> <p>corporate sale (IN PROCESS)</p> <p>EMISSIONS CONTROL SYSTEMS</p>	<p>CONFIDENTIAL</p> <p>corporate sale (IN PROCESS)</p> <p>SECURITY SYSTEMS INTEGRATOR</p>
<p> FRIEDRICH 1883</p> <p>has been acquired by</p> <p> Corinthian Capital</p>	<p>VAPOR POWER INTERNATIONAL</p> <p>has been acquired by</p> <p> TAG EQUITY PARTNERS</p>	<p> SAFETY SERVICES COMPANY</p> <p>has recapitalized with</p> <p> Serent CAPITAL</p>	<p>Portsmouth Paper Company</p> <p>has been acquired by</p> <p> Corporate Express</p>
<p> G&B Gear & Broach</p> <p>has been acquired by</p> <p> FastenTech</p>	<p>E-Mon a division of HUNT CAPITAL</p> <p>has been acquired by</p> <p> BRANFORD CASTLE, INC.</p>	<p> UNIVERSAL a division of Cummins</p> <p>has been acquired by</p> <p>STIRLING GROUP, LLC</p>	<p> ERS</p> <p>has been acquired by</p> <p>HYDE PARK HOLDINGS LLC</p>
<p> WebGen Systems</p> <p>has secured \$9,500,000</p> <p>SERIES B CONVERTIBLE PREFERRED STOCK</p>	<p> WACHS E.H. WACHS Superior Equipment, Complete Support</p> <p>has been acquired by</p> <p> ITW</p>	<p> AVTEK INC.</p> <p>has been acquired by</p> <p> FIDELITY CAPITAL INVESTORS</p>	<p> BISCO Irrigation and Pumping Equipment</p> <p>valuation and financial advisory</p> <p>BOSTON IRRIGATION SUPPLY COMPANY</p>
<p> L-com</p> <p>has recapitalized with</p> <p> Riverside</p>	<p> SURV</p> <p>has been acquired by</p> <p> securadyn systems</p> <p>a portfolio company of  PAMLICO CAPITAL</p>	<p> MilesTek</p> <p>has been acquired by</p> <p>CASTLE ISLAND PARTNERS, LLC</p>	<p> AW COMPANY</p> <p>has been acquired by</p> <p>INDUSTRIAL GROWTH PARTNERS</p>

THE MRO TEAM



David Bench, Managing Director

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David is a Managing Director in charge of the Western Region, based out of Orange County. Prior to Capstone, David managed the Western region for Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. David has focused on middle market investment banking for nearly 30 years and has been the lead banker in over 250 M&A transactions involving both domestic and foreign corporate buyers, as well as leveraged recaps with private equity sponsors. David's achievements in investment banking have gained national recognition by The M&A Advisor: one of his transactions was awarded the "Private Equity Deal of the Year," while another was recognized as the "Energy Deal of the Year." Mr. Bench has also been awarded "Middle Market Financing Professional of the Year," an award recognizing M&A's most accomplished professionals. Mr. Bench holds a BS and an MBA in Finance from Brigham Young University. He is a Series 7 and 63 Registered Securities Representative and a Series 24 Registered Securities Principal.



Tracy Patch, Vice President

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Tracy is a Vice President in the Orange County office, supporting the management of the Western Region. Prior to Capstone, Tracy worked as a senior banking professional in Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. She possesses over ten years of experience in middle market investment banking, working on both domestic and cross-border transactions. Her previous finance experience includes working in the hedge fund industry with Collins/Bay Island Securities LLC and Talisman Capital. Prior to that, Mrs. Patch worked with institutional fixed income sales at Vining Sparks IBG, LP and Robert Thomas Securities, Inc. She also was a manager at The Disney Company. Mrs. Patch holds an MBA from Pepperdine University and a BS in Finance from Miami University of Ohio. She is a Series 7 and 63 Registered Securities Representative.



Christopher Cardinale, Associate

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Christopher is an Associate in the Orange County office. He supports management and clients in the Western Region. Christopher is engaged in the execution and advisory of mergers, acquisitions and strategic capital raises. Prior to joining Capstone, he was an associate with a boutique M&A firm focused on valuation, M&A advisory, corporate finance, acquisition target research and exit-planning strategy. His industry experience includes manufacturing, healthcare, TMT and consumer. Christopher was also a research analyst in the M&A department at United Capital Financial Advisors. He earned a BA from the University of San Diego. Christopher is a Registered Securities Representative having passed the FINRA Series 79 and 63 examinations.

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ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is an award-winning investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. Over the past 15 years, Capstone has earned a reputation as one of the most innovative firms in the industry, offering corporate sale & divestiture, merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. The firm maintains seven industry practices, including: Business Services, Consumer Products, Education & Training, Government Services, Health & Medical, Manufacturing & Industrial, and Technology & Telecom. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, New York, Orange County, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in 70 offices across 31 countries.

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about our expertise,
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