



**HOULIHAN  
CAPITAL**

*Value. Added.*

Valuation & Financial Advisory | Investment Banking

---

**INDUSTRY UPDATE  
INDUSTRIALS MARKET  
Q1 2026**

200 W. Madison Street, Suite 2150 | Chicago, IL 60606 | [www.houlihancapital.com](http://www.houlihancapital.com) | 312.450.8600

Member of FINRA | Member of SIPC

### Key Trends

- **Aftermarket Scale Drives Valuations:** Sponsors are paying up for platforms where installed-base density generates recurring service and parts revenue.
- **Factory Output Recovery Improves Deal Visibility:** New orders and production returned to growth in early 2026 after multiple months of contraction, giving acquirers greater confidence in near-term revenue trajectories.
- **Financing Conditions Support Platform Builds:** Moderating interest rates and steady economic growth are reducing acquisition costs and supporting industrial capex.

### Market Overview

- Industrials Select Sector (XLI) returned **+23.4% LTM**, outpacing the S&P 500's +16.3% on broad-based sector strength.
- Industrial M&A volumes **moderated to 245 deals** in Q1 2026 from 280 in Q4 2025 (-12.5% QoQ) amid trade-policy and rate uncertainty.
- Strategic acquirers drove **55%** of activity vs. 45% from PE; sponsors stayed selective on assets with durable demand and recurring revenue.

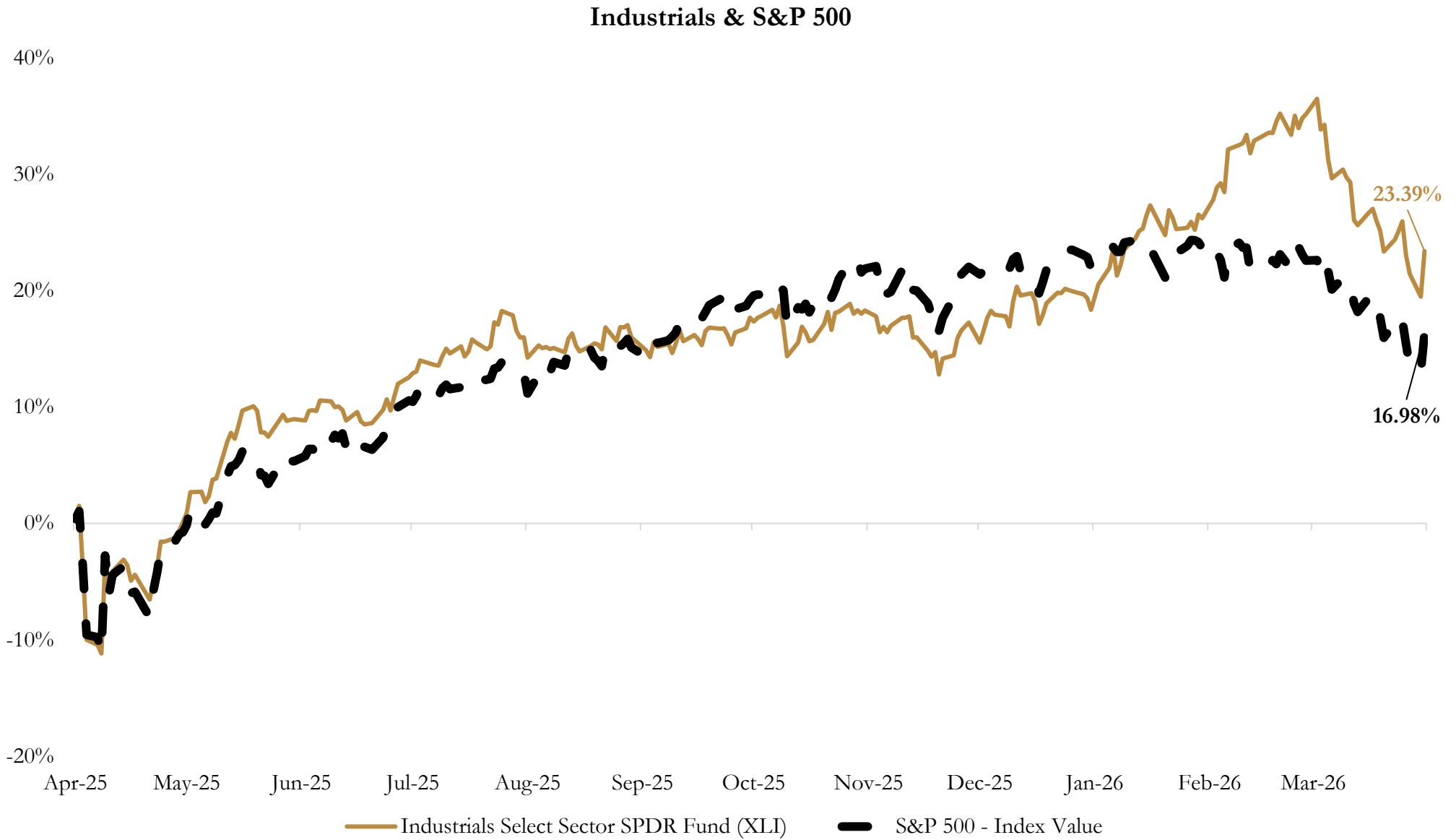
### External Drivers

- Manufacturing is back in **expansion** after multiple months of struggles, lifting near-term order and capex visibility.
- Real GDP accelerated to **+2.0% in Q4 2025** while Core PCE held at 3.0%, supporting demand without forcing the Fed back into tightening.
- Yield curve **steepened** with the 30Y at 4.9% and Fed Funds at 3.6%; housing starts of 1,387K and consumer sentiment of 53.3% remain soft spots.

# 2

## Public Market Performance

*Sector ETF vs. S&P 500*



Source: Capital IQ

# 2 Public Market Performance

## Key Financial and Valuation Metrics for Large Industry Operators

(USD in millions, except per share data)

Company Name	Ticker	Valuation Metrics					Financial Metrics			
		TEV	Price at 03/31/26	% of 52 Week High	TEV / LTM Revenue	TEV / LTM EBITDA	LTM Revenue	LTM EBITDA	Revenue Growth	EBITDA Margin
<b>Aerospace, Defense &amp; Aviation</b>										
General Electric Company	GE	\$310,136	\$283.77	81.4%	6.4x	28.1x	\$48,313	\$11,037	21.8%	22.8%
RTX Corporation	RTX	\$285,930	\$192.90	89.9%	3.2x	18.7x	\$90,373	\$15,263	10.6%	16.9%
The Boeing Company	BA	\$199,942	\$199.03	78.3%	2.2x	-63.6x	\$92,184	-\$3,146	32.7%	-3.4%
Lockheed Martin Corporation	LMT	\$150,463	\$604.39	87.3%	2.0x	18.2x	\$75,048	\$8,285	5.6%	11.0%
Northrop Grumman Corporation	NOC	\$101,785	\$682.24	88.1%	2.4x	13.9x	\$42,367	\$7,307	5.0%	17.2%
Howmet Aerospace Inc.	HWM	\$101,736	\$230.46	86.2%	12.3x	42.6x	\$8,252	\$2,388	11.1%	28.9%
TransDigm Group Incorporated	TDG	\$95,611	\$1,158.96	71.4%	10.5x	20.6x	\$9,110	\$4,644	11.7%	51.0%
General Dynamics Corporation	GD	\$95,489	\$343.22	92.8%	1.8x	15.1x	\$52,550	\$6,344	10.1%	12.1%
<b>Business Service Industrials</b>										
Waste Management, Inc.	WM	\$113,736	\$229.79	92.6%	4.5x	15.0x	\$25,204	\$7,559	14.2%	30.0%
Quanta Services, Inc.	PWR	\$96,987	\$549.02	94.1%	3.4x	38.8x	\$28,480	\$2,497	20.3%	8.8%
Automatic Data Processing, Inc.	ADP	\$83,738	\$203.18	61.6%	3.9x	13.5x	\$21,214	\$6,189	6.6%	29.2%
Republic Services, Inc.	RSG	\$77,160	\$219.02	84.6%	4.7x	15.0x	\$16,591	\$5,141	3.5%	31.0%
Cintas Corporation	CTAS	\$73,254	\$169.14	73.8%	6.6x	25.2x	\$11,027	\$2,903	8.7%	26.3%
United Rentals, Inc.	URI	\$65,911	\$728.56	71.3%	4.1x	14.8x	\$16,099	\$4,455	4.9%	27.7%
W.W. Grainger, Inc.	GWW	\$58,107	\$1,090.81	89.5%	3.2x	19.6x	\$17,942	\$2,963	4.5%	16.5%
Fastenal Company	FAST	\$52,602	\$46.40	91.6%	6.2x	27.9x	\$8,443	\$1,889	10.9%	22.4%
Paychex, Inc.	PAYX	\$36,797	\$92.12	57.1%	5.8x	12.7x	\$6,334	\$2,909	16.4%	45.9%
Axon Enterprise, Inc.	AXON	\$32,808	\$424.69	47.9%	11.8x	613.1x	\$2,780	\$54	33.5%	1.9%
Copart, Inc.	CPRT	\$27,515	\$33.20	52.0%	6.0x	14.2x	\$4,614	\$1,944	2.4%	42.1%
Verisk Analytics, Inc.	VRSK	\$26,576	\$189.75	58.8%	8.6x	17.9x	\$3,073	\$1,485	6.6%	48.3%

Source: Capital IQ

# 2 Public Market Performance

## Key Financial and Valuation Metrics for Large Industry Operators

(USD in millions, except per share data)

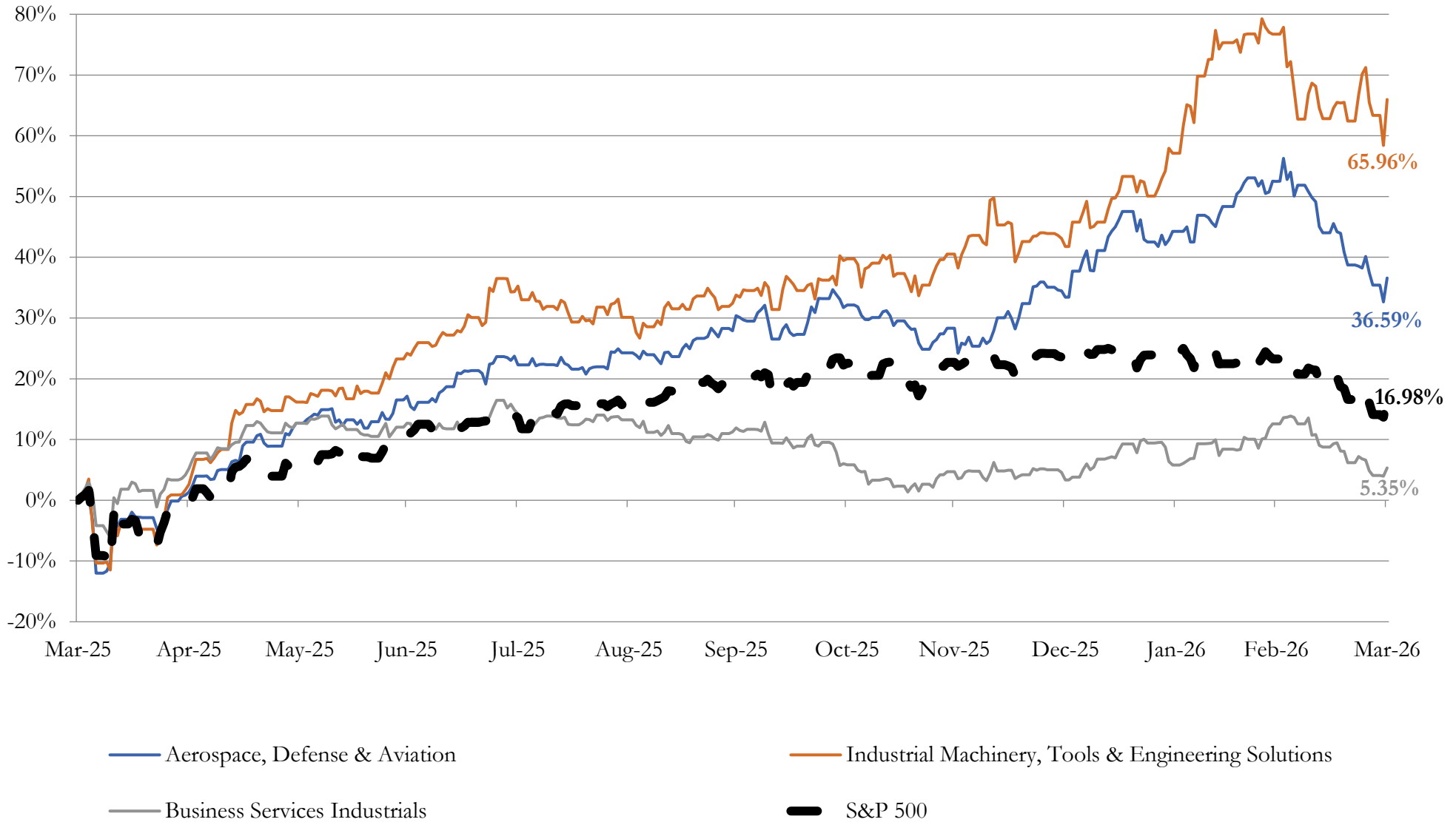
Company Name	Ticker	Valuation Metrics					Financial Metrics			
		TEV	Price at 03/31/26	% of 52 Week High	TEV / LTM Revenue	TEV / LTM EBITDA	LTM Revenue	LTM EBITDA	Revenue Growth	EBITDA Margin
<b>Industrial Machinery, Tools, &amp; Engineering Solutions</b>										
Caterpillar Inc.	CAT	\$407,164	\$708.46	89.7%	6.0x	29.2x	\$67,589	\$13,961	4.3%	20.7%
GE Vernova Inc.	GEV	\$259,896	\$872.90	92.0%	6.6x	79.5x	\$39,375	\$3,269	10.3%	8.3%
Deere & Company	DE	\$216,596	\$563.30	83.6%	4.6x	25.2x	\$46,731	\$8,588	-2.3%	18.4%
Eaton Corporation plc	ETN	\$168,883	\$357.67	87.6%	6.2x	26.8x	\$27,448	\$6,310	10.3%	23.0%
Honeywell International Inc.	HON	\$164,569	\$226.03	91.1%	4.4x	19.4x	\$37,442	\$8,468	7.8%	22.6%
Parker-Hannifin Corporation	PH	\$132,222	\$895.24	86.5%	6.5x	24.7x	\$20,461	\$5,358	2.8%	26.2%
Trane Technologies plc	TT	\$109,743	\$416.74	86.9%	5.1x	26.0x	\$21,322	\$4,213	7.5%	19.8%
Johnson Controls International plc	JCI	\$94,700	\$130.95	89.4%	4.0x	22.9x	\$23,967	\$4,134	3.4%	17.2%
Cummins Inc.	CMI	\$93,909	\$538.02	87.1%	2.8x	18.1x	\$33,670	\$5,190	-1.3%	15.4%
Emerson Electric Co.	EMR	\$93,720	\$131.02	79.3%	5.2x	15.9x	\$18,187	\$5,878	3.6%	32.3%
Illinois Tool Works Inc.	ITW	\$86,445	\$260.29	85.9%	5.4x	18.6x	\$16,044	\$4,655	0.9%	29.0%
3M Company	MMM	\$85,844	\$145.23	81.9%	3.4x	13.8x	\$25,024	\$6,211	2.1%	24.8%
PACCAR Inc	PCAR	\$72,935	\$115.50	87.6%	2.6x	21.3x	\$28,445	\$3,423	-15.5%	12.0%
Carrier Global Corporation	CARR	\$62,717	\$56.31	69.4%	2.9x	18.6x	\$21,747	\$3,378	-3.3%	15.5%

Source: Capital IQ

# 2

## Public Market Performance

*Sub-Industry Performance vs. S&P 500*



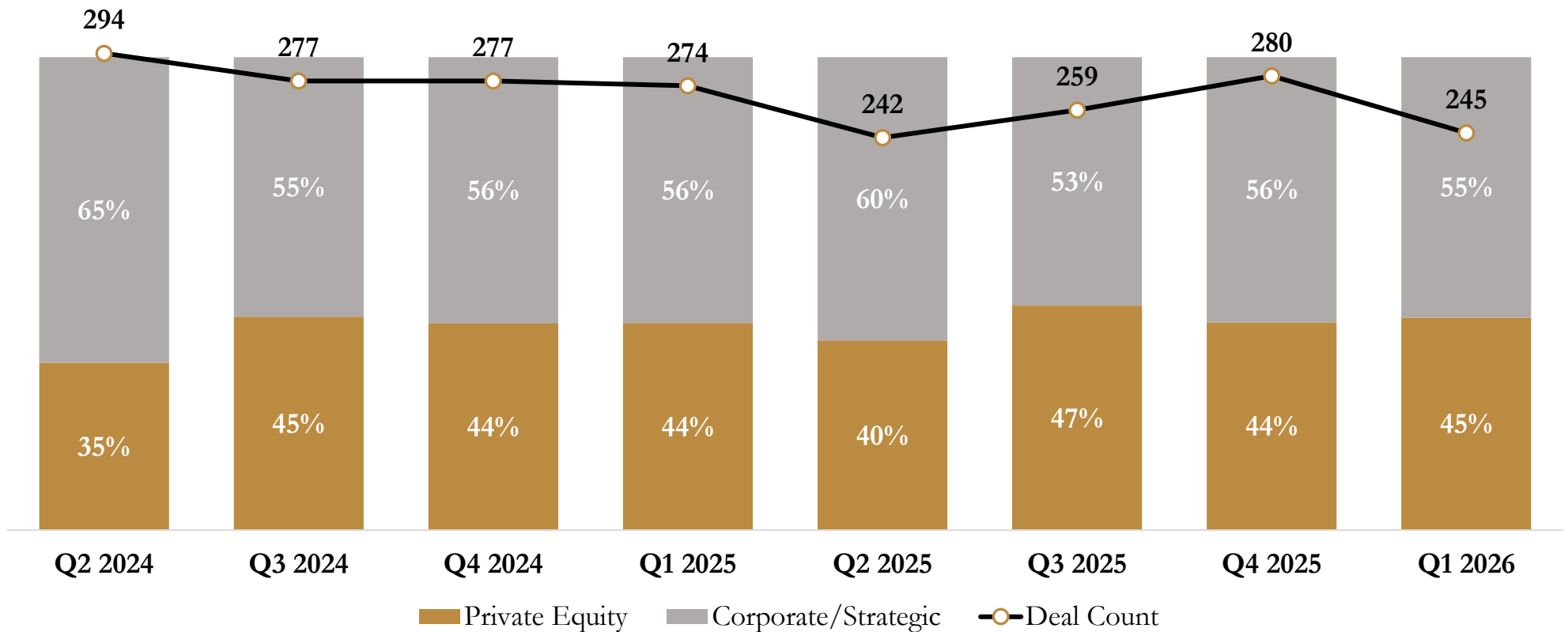
Source: Capital IQ

# 3

## M&A Trends

### Quarterly M&A Volume (Strategic vs. Private Equity)

Industrial M&A activity pulled back in Q1 2026, with deal volume declining to 245 transactions from 280 in Q4 2025, a 12.5% sequential decrease. The slowdown followed a broader global trend of flat-to-lower deal counts amid trade policy uncertainty, geopolitical tensions, and a more disciplined approach to capital deployment. Corporate/strategic acquirers continued to account for a slight majority of transactions at 55%, while private equity participation held relatively steady at 45%, as sponsors remained selective but active in pursuing high-quality industrials assets with durable demand and recurring revenue profiles.



Source: PitchBook

Note: Transaction data reflects completed U.S. transactions involving Strategic M&A, PE-backed Companies, and Buyout/LBO platform transactions

## 3

## M&amp;A Trends

## Recent M&amp;A Transactions

(USD in millions)

Close Date	Target	Acquirer	Implied TEV
Feb-26	Dayforce, Inc.	Abu Dhabi Investment Authority; Thoma Bravo, L.P.; Thoma Bravo Fund XIV	\$12,739
Mar-26	Thermal Business of Boyd Corporation	Eaton Corporation plc	\$9,500
Mar-26	SPX FLOW, Inc.	ITT Industries Holdings, Inc.	\$4,779
Feb-26	Hillenbrand, Inc.	Lone Star Americas Acquisitions, Inc.	\$3,816
Feb-26	TRC Companies, Inc.	WSP Global Inc.	\$3,300
Feb-26	REV Group, Inc.	Terex Corporation	\$3,238
Feb-26	Kito Crosby Limited	Columbus McKinnon Corporation	\$2,700
Mar-26	ARKA Group, LP	CACI, Inc. - Federal	\$2,600
Mar-26	ENTRUST Solutions Group, LLC	Leidos, Inc.	\$2,400
Mar-26	TriMas Aerospace	Blackstone Inc.; Takeoff Buyer, Inc.	\$1,451
Feb-26	OmniMax International, Inc.	Gibraltar Industries, Inc.	\$1,335
Mar-26	United Utility Services, LLC	Sandbrook Capital Management LP; Blackstone Credit & Insurance	\$1,000
Feb-26	National Diversified Sales, Inc.	Advanced Drainage Systems, Inc.	\$1,000
Feb-26	Commodity & Ingredient Hedging, LLC	Tokio Marine Holdings, Inc.	\$970
Feb-26	Center for Research in Security Prices, LLC	Morningstar, Inc.	\$365
Mar-26	SRR Holdings, Inc.	LSI Industries Inc.	\$325
Feb-26	Crawford United Corporation	SPX Enterprises, LLC	\$313
Mar-26	Mckee Utility Contractors, Inc.	MasTec, Inc.	\$276
Feb-26	A.L. Grading Contractors, LLC	Cardinal Infrastructure Group Inc.	\$246
Feb-26	Seemann Composites, Inc.	Karman Holdings Inc.	\$220
Mar-26	Empirical Systems Aerospace, Inc.	AeroVironment, Inc.	\$200
Mar-26	Wildcat Discovery Technologies Inc.	Holyvolt AB	\$73
Feb-26	J.E. Mcamis, Inc.	Orion Group Holdings, Inc.	\$70
Mar-26	Federal Industries, Ltd.	Aeritek Global Holdings LLC	\$70
Jan-26	GMJ Paving Company LLC	Construction Partners, Inc.	\$40
Mar-26	Joyce Sales Group, LLC	CSW Industrials, Inc.	\$21
Feb-26	Event Risk Inc.	Knightscope, Inc.	\$19
Mar-26	Hexagon Masterworks, Inc.	Space Exploration Technologies Corp.	\$15
Mar-26	Fly Flyte, Inc.	Catheter Precision, Inc.	\$14
Feb-26	American Gemological Laboratories, Inc.	International Gemological Institute, Inc.	\$13

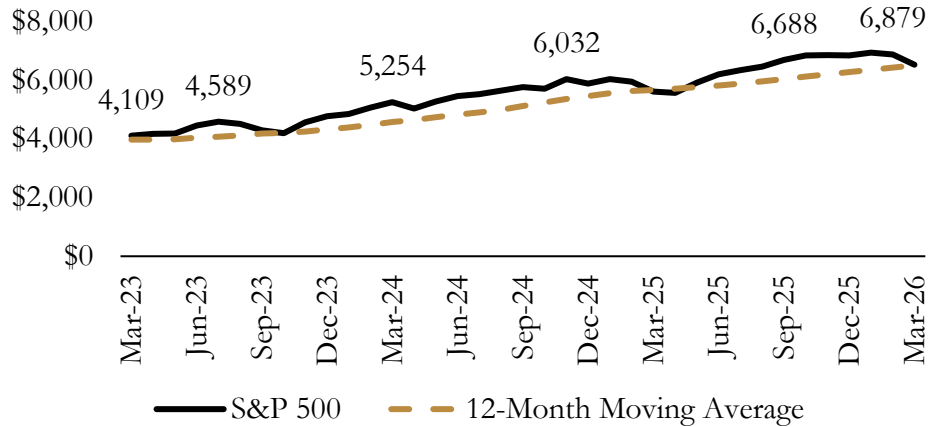
Source: Capital IQ

# 4

## Macroeconomic Environment

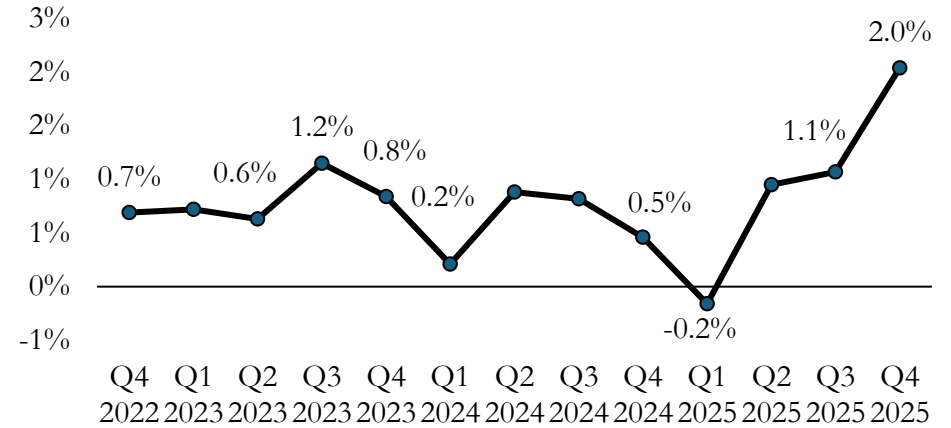
### Macroeconomic Indicators

#### S&P 500



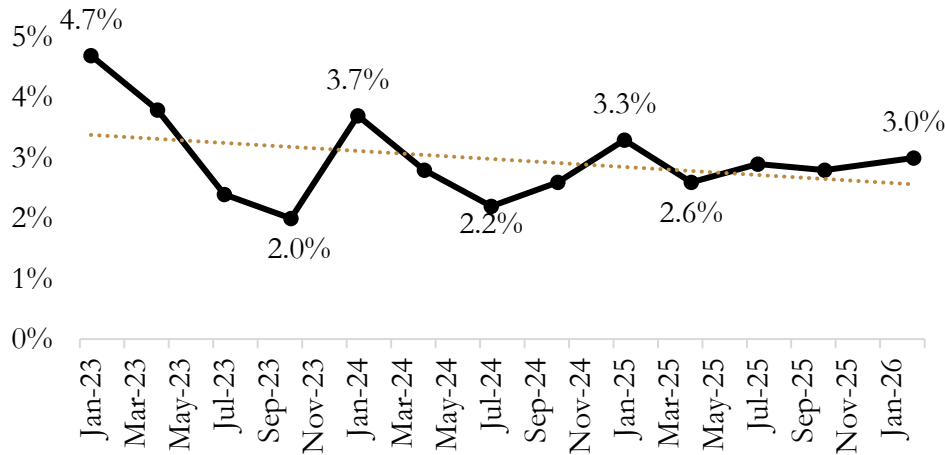
A leading equity index tracking the performance of 500 large U.S. companies.

#### Real GDP Growth



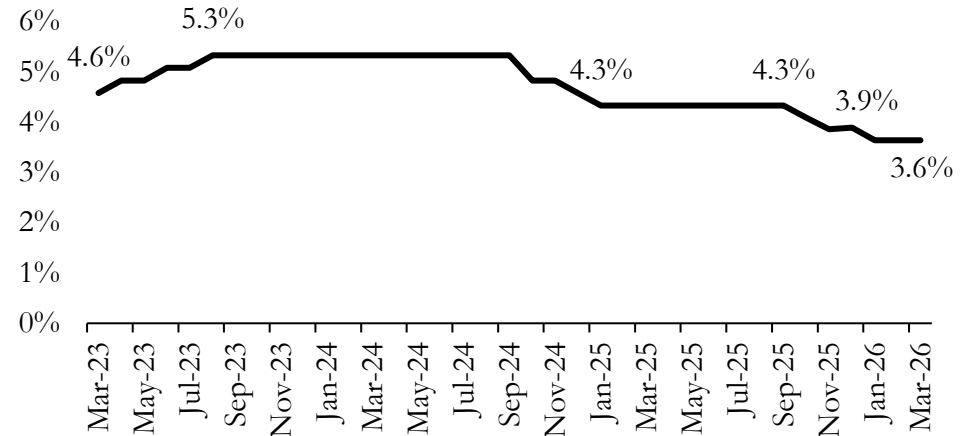
Tracks inflation-adjusted economic output, typically reported quarterly.

#### Core PCE



A key inflation gauge that tracks consumer spending, excluding volatile food and energy prices.

#### Federal Funds Rate



The Fed's benchmark interest rate that influences borrowing costs throughout the economy.

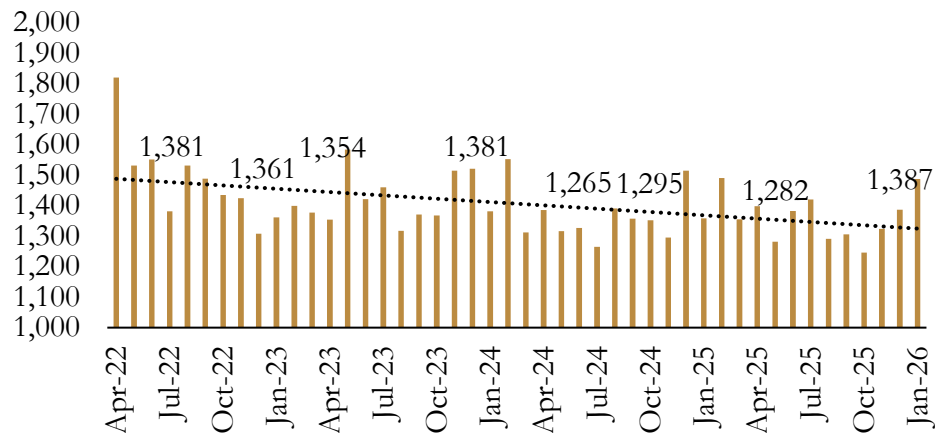
Source: Capital IQ, St. Louis Fed – FRED Economic Data

# 4

## Macroeconomic Environment

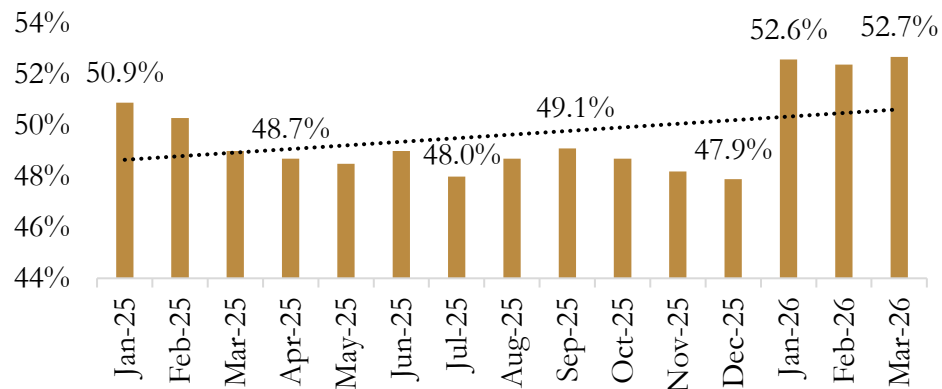
### Macroeconomic Indicators (Cont.)

#### New Privately-Owned Housing Units Started<sup>1</sup>



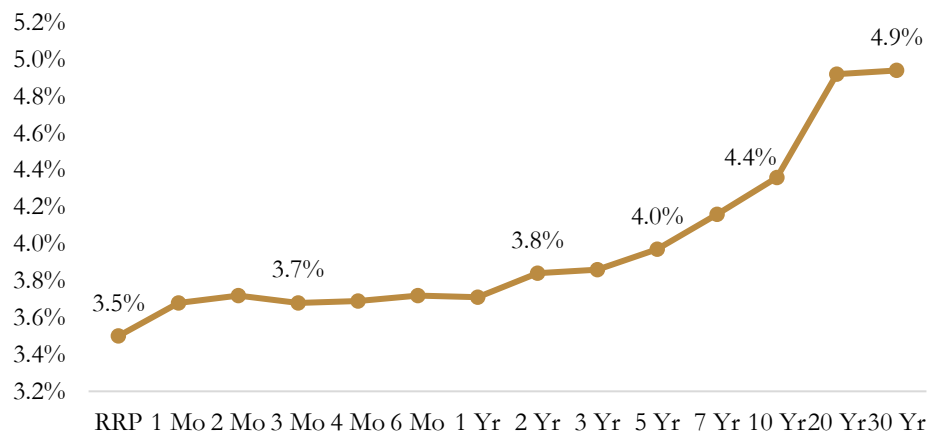
Measures the number of new residential construction projects begun each month.

#### Manufacturing PMI *Purchasing Manager's Index*



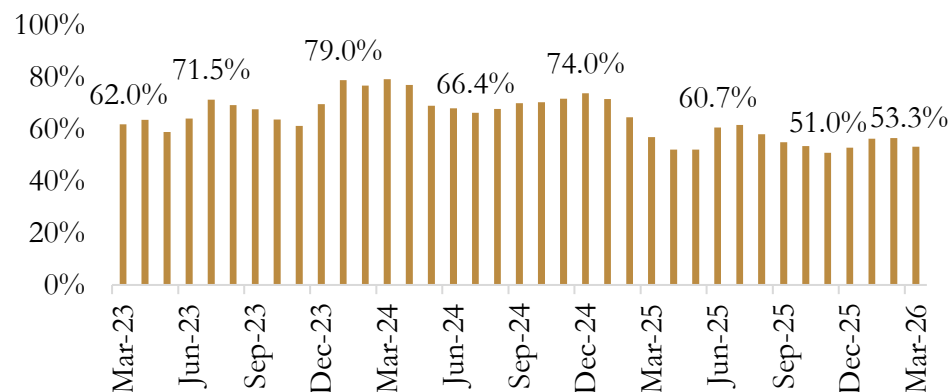
A monthly survey signaling manufacturing sector activity; readings above 50 indicate expansion.

#### Treasury Par Yield Curve Rates



Displays yields across Treasury maturities, reflecting market expectations for future interest rates.

#### Consumer Sentiment *From the University of Michigan*



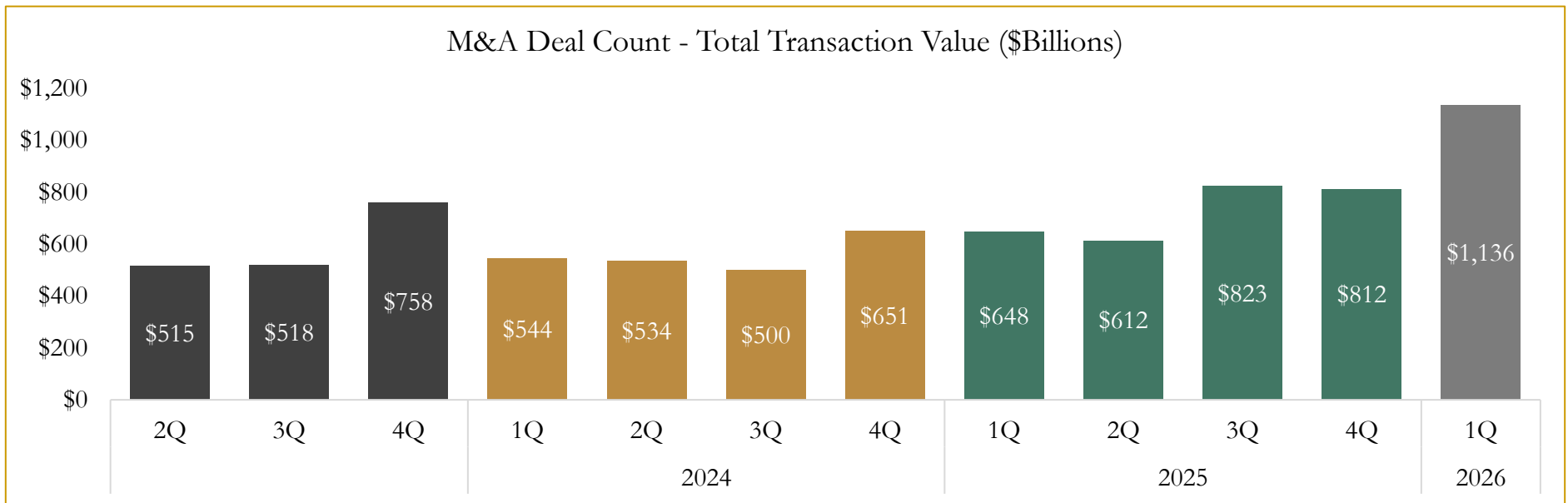
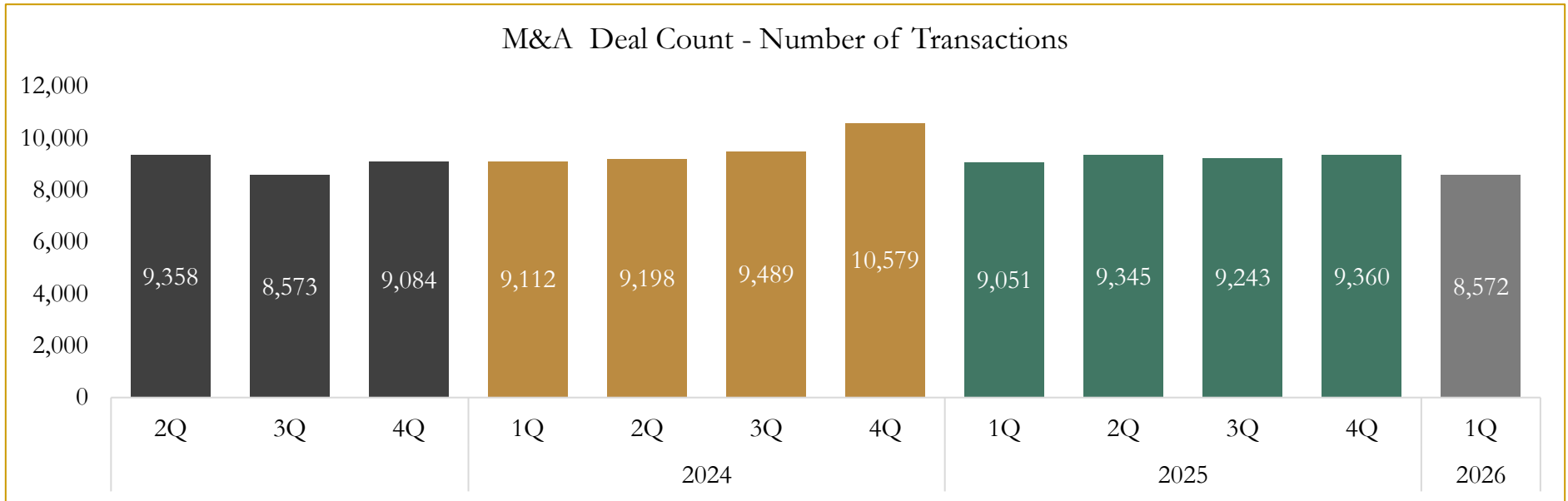
Measures consumer confidence in the economy based on monthly survey data.

Source: St. Louis Fed – FRED Economic Data, Institute for Supply Management <sup>1</sup>Figures in Thousands

# 4

## Macroeconomic Environment

Total M&A Volume (Past Three (3) Years)



Source: Capital IQ; Data derived from M&A activity over the past three years. Q1 2026 consisted of 22 megadeals valued at over \$10 billion each

## Company Overview

- Founded in 1996, Houlihan Capital is an employee-owned valuation and investment banking firm
- As a member of FINRA and SIPC, our team of 40+ professionals are committed to the highest levels of quality and professionalism

## Divisions & Core Offerings

- **Valuation & Financial Advisory** – Portfolio Valuations and Transaction Advisory (i.e., Fairness Opinions) for Funds, with an industry specialization in cryptocurrency
- **Investment Banking** – M&A Advisory for Founders and Family-Owned businesses in the lower middle market

## Houlihan Capital Locations



Chicago, IL

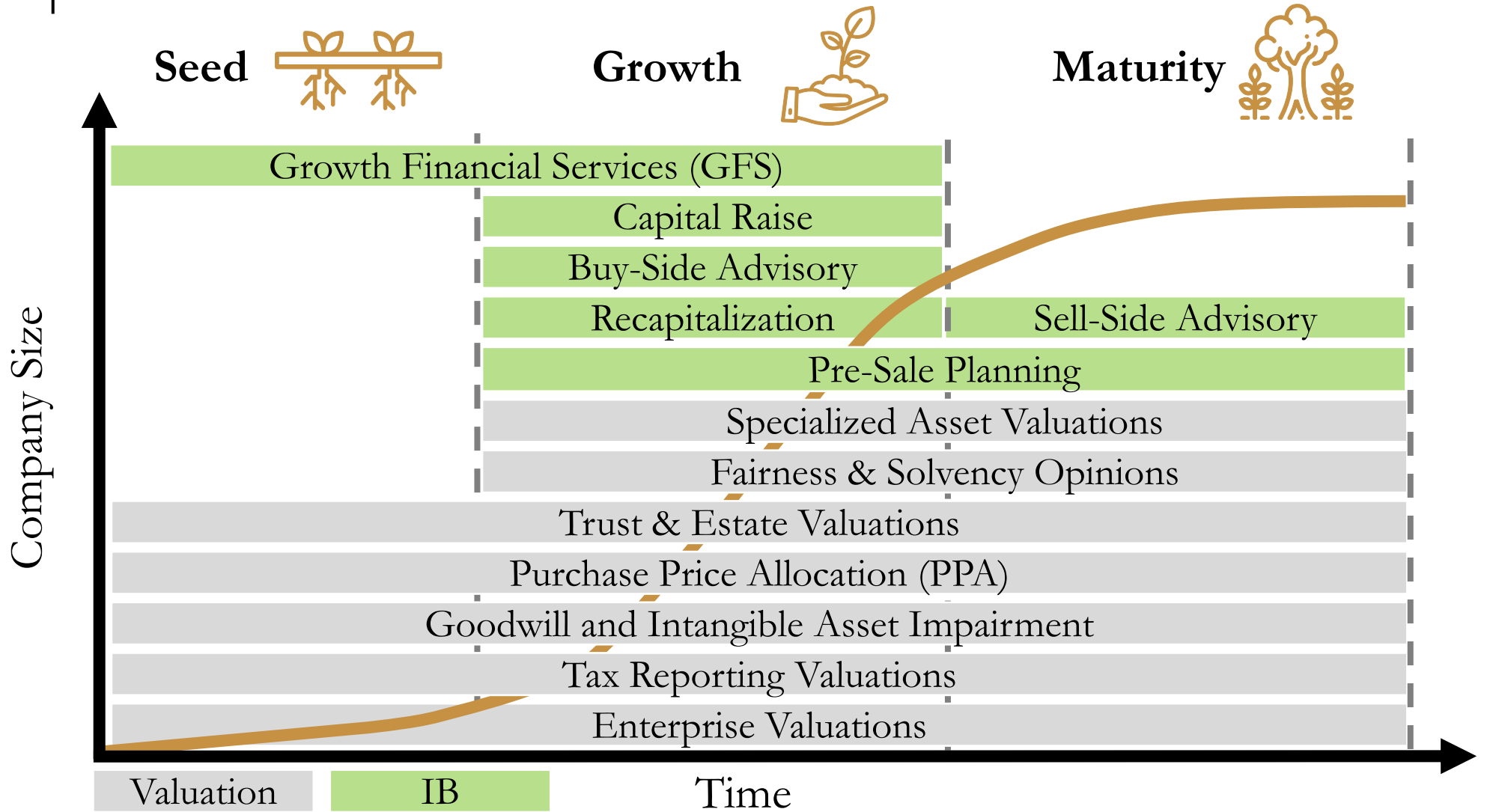


Cleveland, OH

# 5

## Houlihan Capital

*Houlihan's Services Along the Business Lifecycle*



For questions or inquiries regarding our services, please contact:

[info@houlihancapital.com](mailto:info@houlihancapital.com)