HOULIHAN CAPITAL

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Valuation & Financial Advisory | Investment Banking

INDUSTRY UPDATE
INDUSTRIALS MARKET
Q2 2026

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1 Executive Summary

Key Takeaways

Key Trends

- **AI Infrastructure Buildout Lifts Machinery Demand:** Data center construction is driving demand for power generation and heavy machinery, benefiting names like Caterpillar and GE Vernova.
- **Conglomerate Simplification Feeds the Carve-Out Pipeline:** Large industrial conglomerates are simplifying portfolios, generating a steady flow of carve-outs for strategic and sponsor buyers alike.
- **Strategic Premiums Widen Over Sponsor Pricing:** Strategics are paying up for capability-driven targets, while PE sponsors hold firmer underwriting discipline.

Market Overview

- Industrials Select Sector (XLI) returned **+22.7% LTM** through early June, outpacing the S&P 500's +17.8% on broad based sector strength.
- Industrial manufacturing M&A reached $173 billion **LTM**, up 28% YoY, as mega deals over $5 billion now drive **56%** of deal value.
- Strategic acquirers accounted for **55.7%** of Q2 2026 deal volume, a slight majority, while PE sponsors held steady at **44.3%** as sponsors stayed selective on durable, recurring revenue assets.

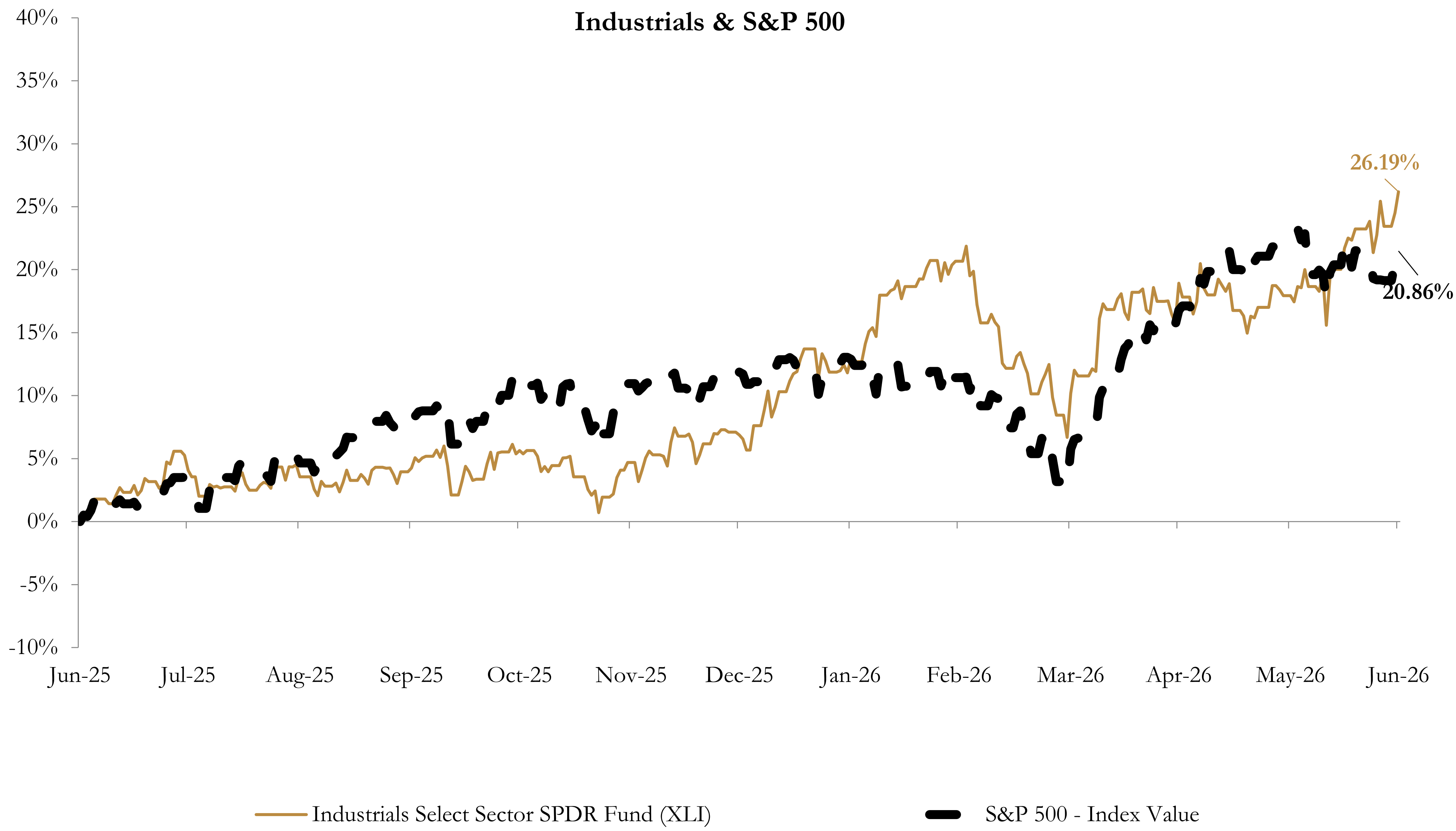
External Drivers

- Manufacturing activity remained in **expansion territory** through Q2 2026, lifting near-term order and capex visibility.
- **Real GDP grew 2.1%** in Q1 2026 while **inflation ticked up** to 3.4%, keeping demand firm but the Fed on hold rather than easing.
- **Yield curve stayed steep** with the 30Y at 5.1% and Fed Funds at 3.6%; housing starts of 1,321K and **consumer sentiment near 62%** are improving but still soft.

Sources: Capital IQ; PitchBook; St. Louis Fed - FRED Economic Data; Institute for Supply Management

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			
Company Name	**Ticker**	**TEV**	**Price at 06/30/26**	**% of 52 Week High**	**TEV / LTM Revenue**	**TEV / LTM EBITDA**	**LTM Revenue**	**LTM EBITDA**	**Revenue Growth**	**EBITDA Margin**
Aerospace, Defense & Aviation										
General Electric Company	GE	$387,759	$373.73	98.4%	7.7x	33.8x	$50,639	$11,483	21.7%	22.7%
RTX Corporation	RTX	$326,911	$189.73	88.5%	3.5x	20.6x	$93,500	$15,895	11.8%	17.0%
The Boeing Company	BA	$204,202	$216.47	85.1%	2.2x	-70.4x	$93,995	-$2,900	24.8%	-3.1%
Lockheed Martin Corporation	LMT	$150,908	$509.46	73.6%	2.0x	15.6x	$77,014	$9,680	7.2%	12.6%
Howmet Aerospace Inc.	HWM	$116,860	$268.86	92.5%	13.6x	45.6x	$8,623	$2,561	14.2%	29.7%
General Dynamics Corporation	GD	$112,348	$354.24	95.8%	2.1x	17.3x	$53,808	$6,487	9.3%	12.1%
TransDigm Group Incorporated	TDG	$101,279	$1,332.04	82.0%	10.7x	20.9x	$9,503	$4,851	13.3%	51.0%
Northrop Grumman Corporation	NOC	$92,341	$509.31	65.8%	2.2x	12.7x	$42,892	$7,255	5.9%	16.9%
Business Service Industrials										
Waste Management, Inc.	WM	$118,941	$222.88	89.8%	4.6x	15.3x	$25,667	$7,781	7.2%	30.3%
Automatic Data Processing, Inc.	ADP	$106,767	$223.95	70.9%	4.9x	16.8x	$21,600	$6,340	6.9%	29.4%
Quanta Services, Inc.	PWR	$94,343	$720.04	91.3%	3.1x	35.5x	$30,121	$2,659	21.1%	8.8%
Cintas Corporation	CTAS	$88,409	$170.08	75.0%	7.8x	28.2x	$11,265	$3,134	8.9%	27.8%
United Rentals, Inc.	URI	$83,196	$1,132.89	99.1%	4.9x	17.7x	$16,832	$4,691	6.9%	27.9%
Republic Services, Inc.	RSG	$80,619	$213.08	86.3%	4.8x	15.5x	$16,695	$5,195	3.2%	31.1%
W.W. Grainger, Inc.	GWW	$68,545	$1,360.40	97.8%	3.7x	22.2x	$18,378	$3,085	6.6%	16.8%
Fastenal Company	FAST	$55,431	$48.03	94.9%	6.3x	28.4x	$8,749	$1,955	12.5%	22.3%
Paychex, Inc.	PAYX	$45,767	$98.33	66.1%	7.0x	15.2x	$6,512	$3,015	16.9%	46.3%
Axon Enterprise, Inc.	AXON	$45,245	$560.61	63.3%	15.2x	439.9x	$2,983	$103	34.0%	3.4%
Verisk Analytics, Inc.	VRSK	$31,911	$179.53	57.0%	10.2x	21.1x	$3,136	$1,516	5.0%	48.3%
Copart, Inc.	CPRT	$24,324	$28.19	56.3%	5.2x	12.4x	$4,639	$1,961	1.0%	42.3%

Source: Capital IQ

2 Public Market Performance

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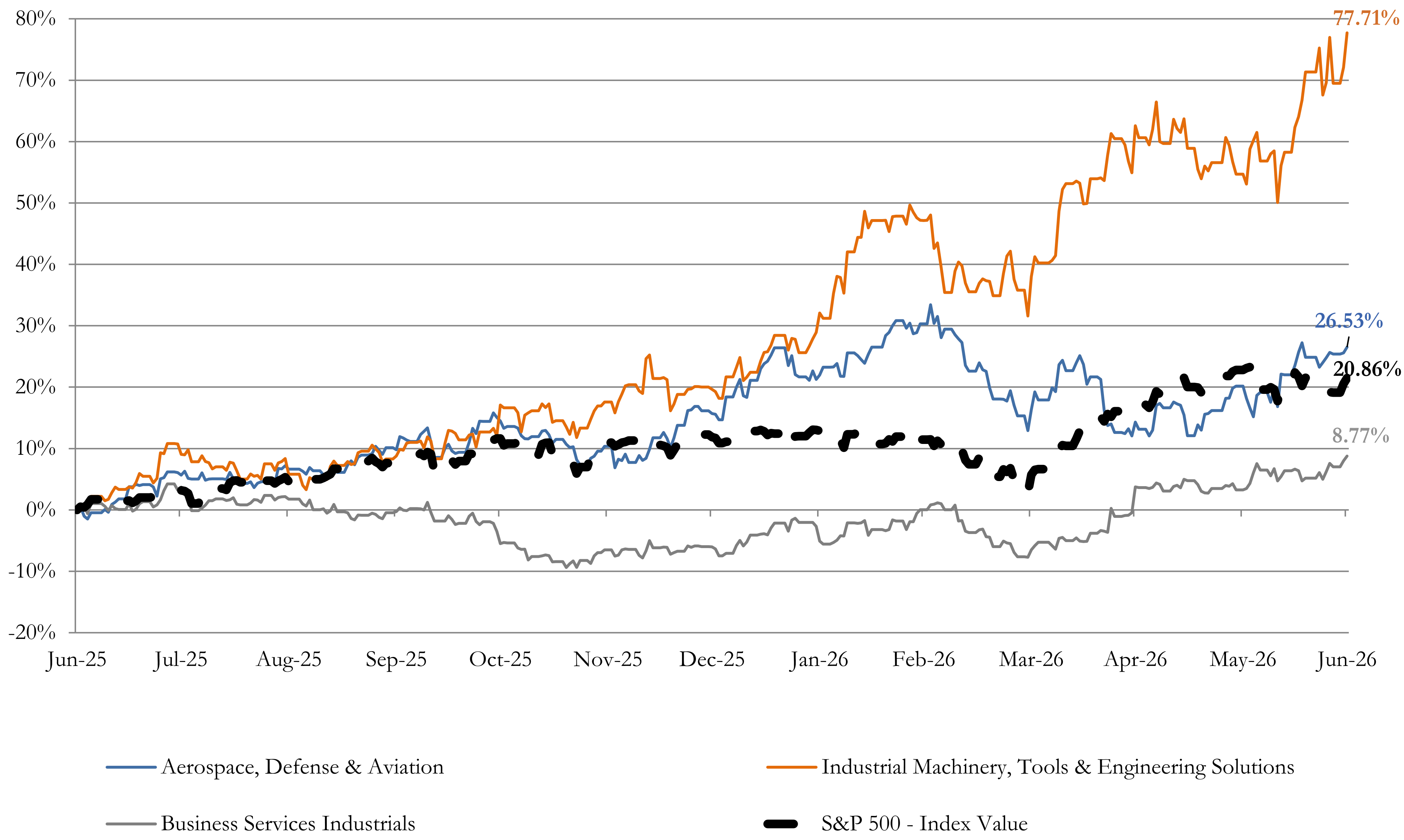
(USD in millions, except per share data)

Company Name	Ticker	Valuation Metrics					Financial Metrics			
		TEV	Price at 06/30/26	% of 52 Week High	TEV / LTM Revenue	TEV / LTM EBITDA	LTM Revenue	LTM EBITDA	Revenue Growth	EBITDA Margin
Industrial Machinery, Tools, & Engineering Solutions										
Caterpillar Inc.	CAT	$427,038	$1,064.90	99.2%	6.0x	29.3x	$70,755	$14,557	11.8%	20.6%
GE Vernova Inc.	GEV	$243,412	$1,174.86	99.4%	5.9x	62.0x	$41,367	$3,927	13.0%	9.5%
Deere & Company	DE	$230,946	$634.33	94.1%	4.9x	26.8x	$47,337	$8,614	4.3%	18.2%
Eaton Corporation plc	ETN	$171,111	$426.12	97.6%	6.0x	27.0x	$28,522	$6,343	12.7%	22.2%
Parker-Hannifin Corporation	PH	$134,061	$978.12	94.5%	6.4x	24.5x	$20,987	$5,479	6.0%	26.1%
Trane Technologies plc	TT	$107,466	$491.16	97.1%	5.0x	25.4x	$21,603	$4,233	6.4%	19.6%
Honeywell International Inc.	HON	$104,379	$223.90	45.1%	2.7x	12.3x	$38,057	$8,512	11.0%	22.4%
3M Company	MMM	$102,019	$161.91	91.3%	4.1x	15.7x	$25,180	$6,488	2.3%	25.8%
Emerson Electric Co.	EMR	$97,311	$143.15	86.7%	5.3x	16.6x	$18,316	$5,875	4.0%	32.1%
Cummins Inc.	CMI	$94,613	$713.21	96.7%	2.8x	18.9x	$33,894	$5,004	0.1%	14.8%
Johnson Controls International plc	JCI	$94,437	$146.11	97.8%	3.8x	20.8x	$24,995	$4,530	6.8%	18.1%
Illinois Tool Works Inc.	ITW	$93,774	$270.47	89.2%	5.7x	19.5x	$16,469	$4,807	4.3%	29.2%
PACCAR Inc	PCAR	$80,362	$120.12	91.1%	2.9x	24.7x	$27,816	$3,256	-10.6%	11.7%
Carrier Global Corporation	CARR	$63,439	$73.35	90.5%	2.9x	20.5x	$22,108	$3,093	-1.6%	14.0%

Source: Capital IQ

2 Public Market Performance

Sub-Industry Performance vs. S&P 500

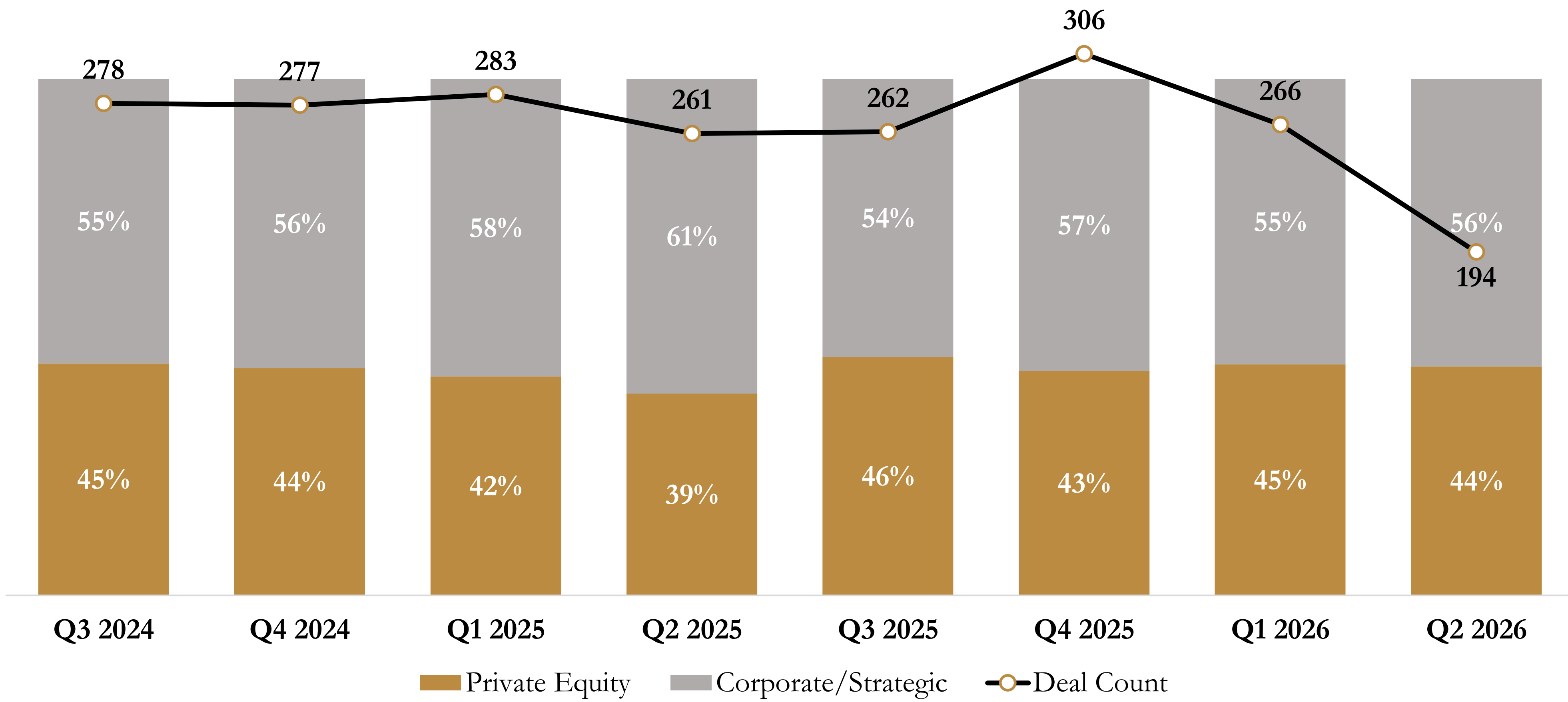


Source: Capital IQ

3 M&A Trends

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

Industrial M&A activity pulled back sharply in Q2 2026, with deal volume declining to 194 transactions from 266 in Q1 2026, a 27.1% sequential decrease and a 25.7% decline year over year. Corporate/strategic acquirers continued to account for a slight majority of transactions at 55.7%, while private equity held steady at 44.3%, as sponsors remained selective but active in pursuing high-quality industrials assets with durable demand and recurring revenue.



Source: PitchBook

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

3 M&A Trends

Recent M&A Transactions

(USD in millions)

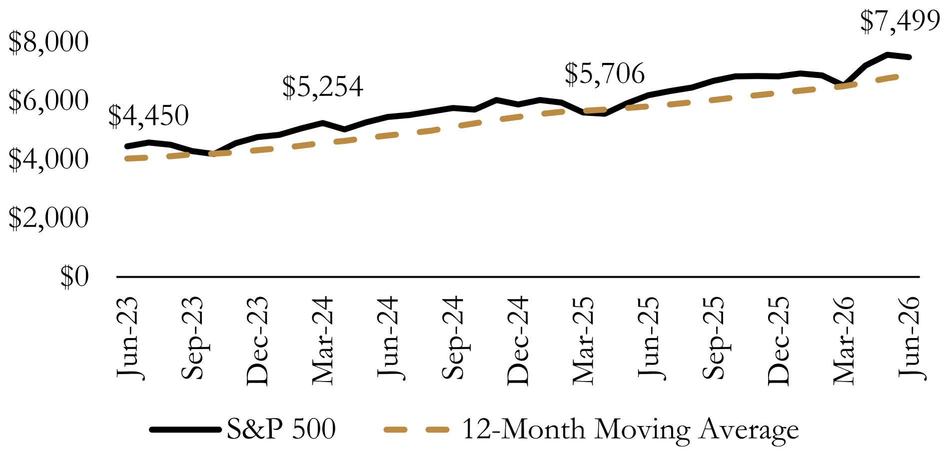
Close Date	Target	Acquirer	Implied TEV
Jun-26	Clean Earth, Inc.	Veolia Environnement SA	$3,040
Jun-26	NSI Industries, LLC	Hubbell Incorporated	$3,000
May-26	CSG Systems International, Inc.	Netcracker Technology Corporation	$2,804
May-26	Cross Border Xpress, L.L.C.	Grupo Aeroportuario del Pacífico, S.A.B. de C.V.	$2,644
May-26	CPM Holdings, Inc.	Rosebank Industries plc	$2,300
Jun-26	Thermon Group Holdings, Inc.	CECO Environmental Corp.	$2,244
May-26	Precision Aviation Group, Inc.	VSE Corporation	$2,150
May-26	Sun Country, Inc.	Allegiant Travel Company	$1,398
May-26	American Woodmark Corporation	MasterBrand, Inc.	$1,328
May-26	Electrical Power Products, Inc.	Flex Ltd.	$1,100
May-26	MW Industries, Inc.	Rosebank Industries plc	$950
Jun-26	Republic Wire, LLC	Nexans S.A.	$798
May-26	PayneCrest Electric, Inc.	Primoris Services Corporation	$400
May-26	Jinko Solar (U.S.) Industries, Inc	Fortune Harmony Investments Limited	$255
May-26	Terra Nova Solutions, Inc.	Clean Harbors, Inc.	$225
May-26	L.B. White Company, LLC	Modine Manufacturing Company	$108
Jun-26	Despir Logistics LLC	C.H. Robinson Worldwide, Inc.	$75
May-26	Burton Energy Group, LLC	Willdan Energy Solutions, Inc.	$74
May-26	Motiv Space Systems, Inc.	Rocket Lab Corporation	$60
May-26	CS Digital Ventures, LLC	Olenox Industries Inc.	$51
Jun-26	AP Shale Logistics ManagementCo LLC	FTAI Infrastructure Inc.	$45
Jun-26	SFV Services, LLC	Bed Bath & Beyond, Inc.	$39
Jun-26	Newoods, Inc.	Suncrete, Inc.	$37
Jun-26	Superior Fiber & Data Services, Inc.	Hexatronic Group AB (publ)	$29
Jun-26	The Ulven Companies, Inc.	NW Manufacturing Group	$9
May-26	Trinity Warranty Solutions LLC	Trinity Warranty Holding LLC	$8
May-26	APEX	Off The Hook YS Inc. (nka:NextBoat Inc.)	$6
May-26	BRS Inc.	Anfield Energy Inc.	$5
Jun-26	Shorepower Technologies Inc. (nka:Aeternum Health Inc.)	Aeternum Health Inc.	$5
May-26	A & B Aerospace Inc.	PMGC Holdings Inc.	$5

Source: Capital IQ

4 Macroeconomic Environment

Macroeconomic Indicators

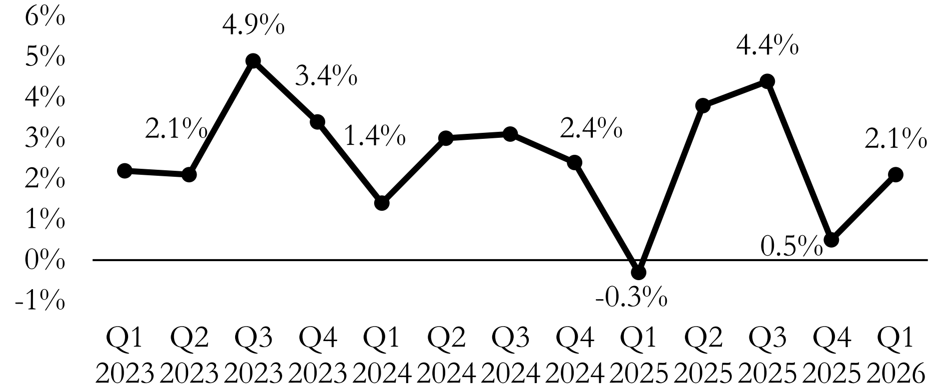
S&P 500



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

Real GDP Growth

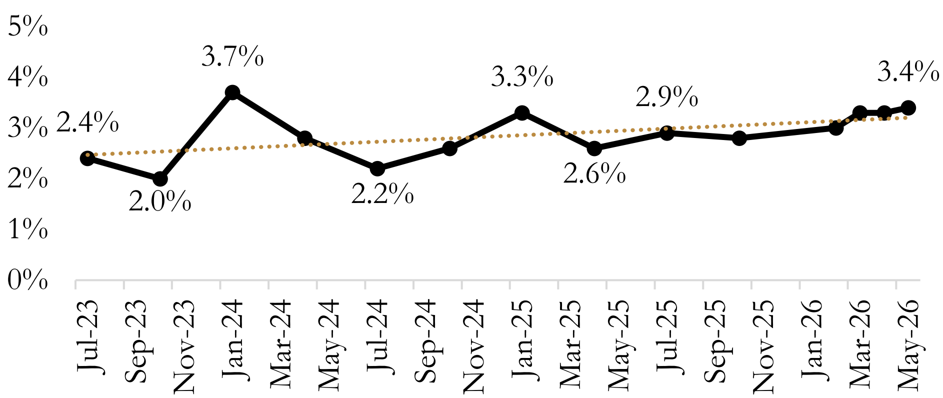
Gross Domestic Product



Tracks inflation-adjusted economic output, typically reported quarterly.

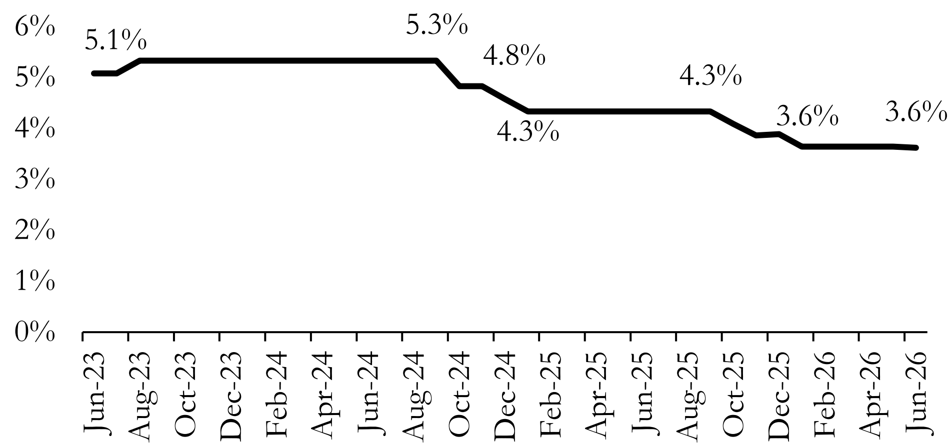
Core PCE

Personal Consumption Expenditures



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

Federal Funds Rate



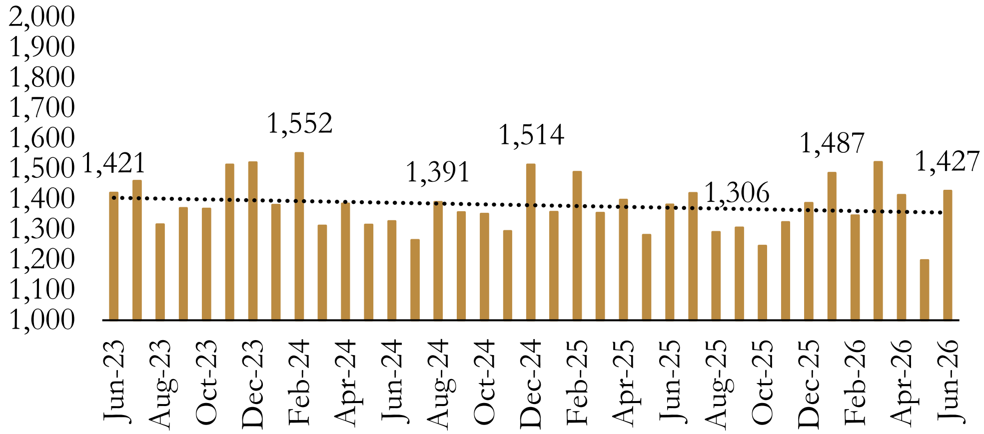
The Fed's benchmark interest rate that influences borrowing costs throughout the economy.

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

4 Macroeconomic Environment

Macroeconomic Indicators (Cont.)

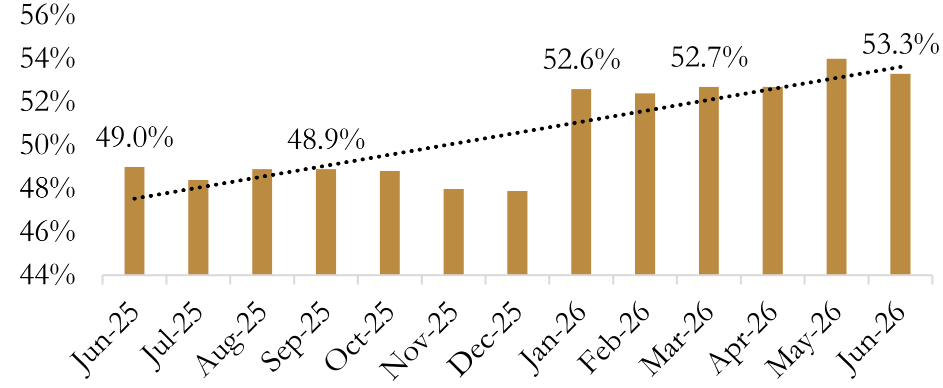
New Privately-Owned Housing Units Started[1]



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

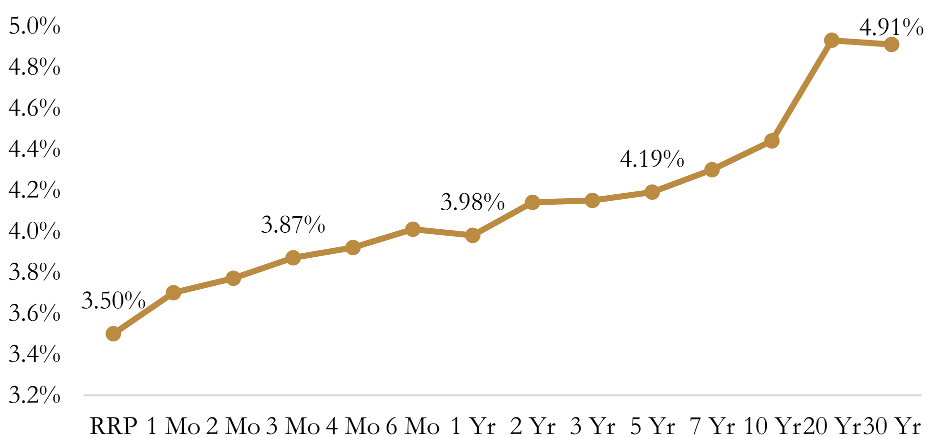
Manufacturing PMI

Purchasing Manager's Index



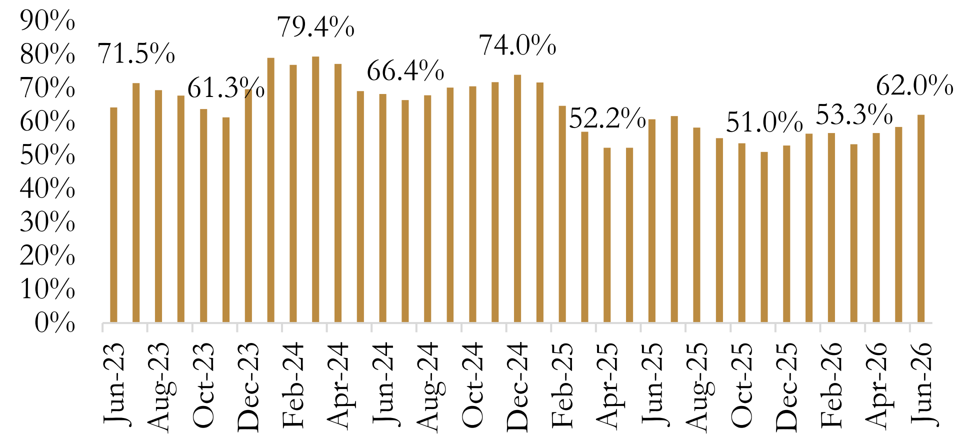
A monthly survey signaling manufacturing sector activity; readings above 50 indicate expansion.

Treasury Par Yield Curve Rates



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

Consumer Sentiment

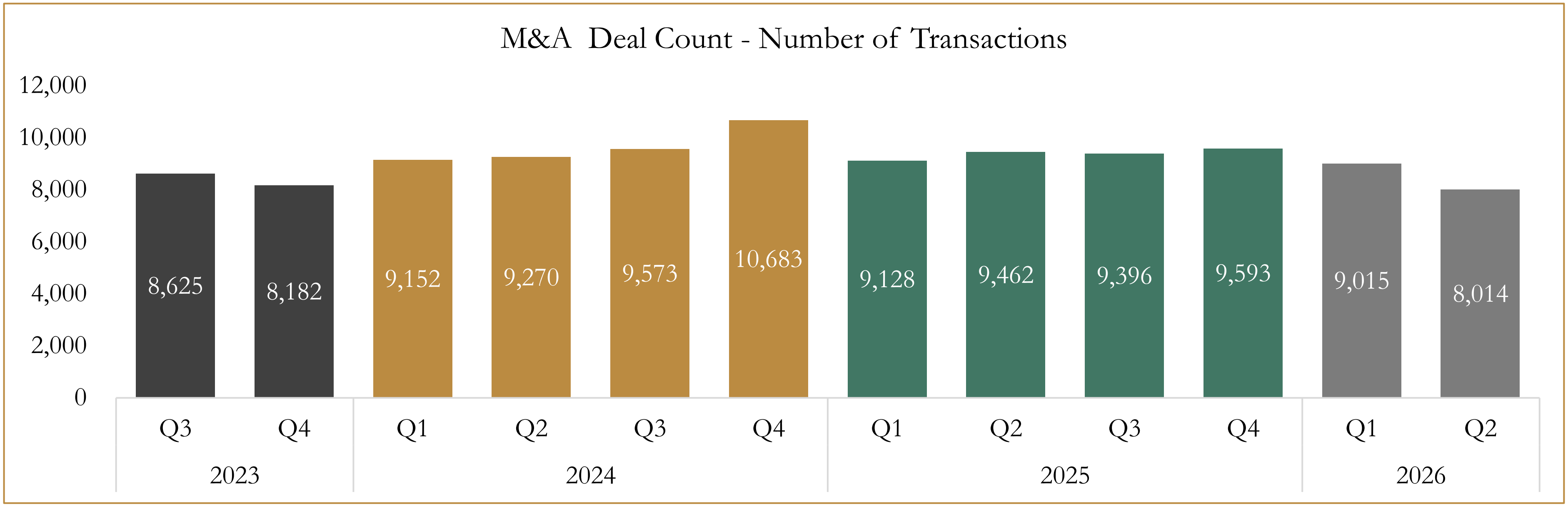


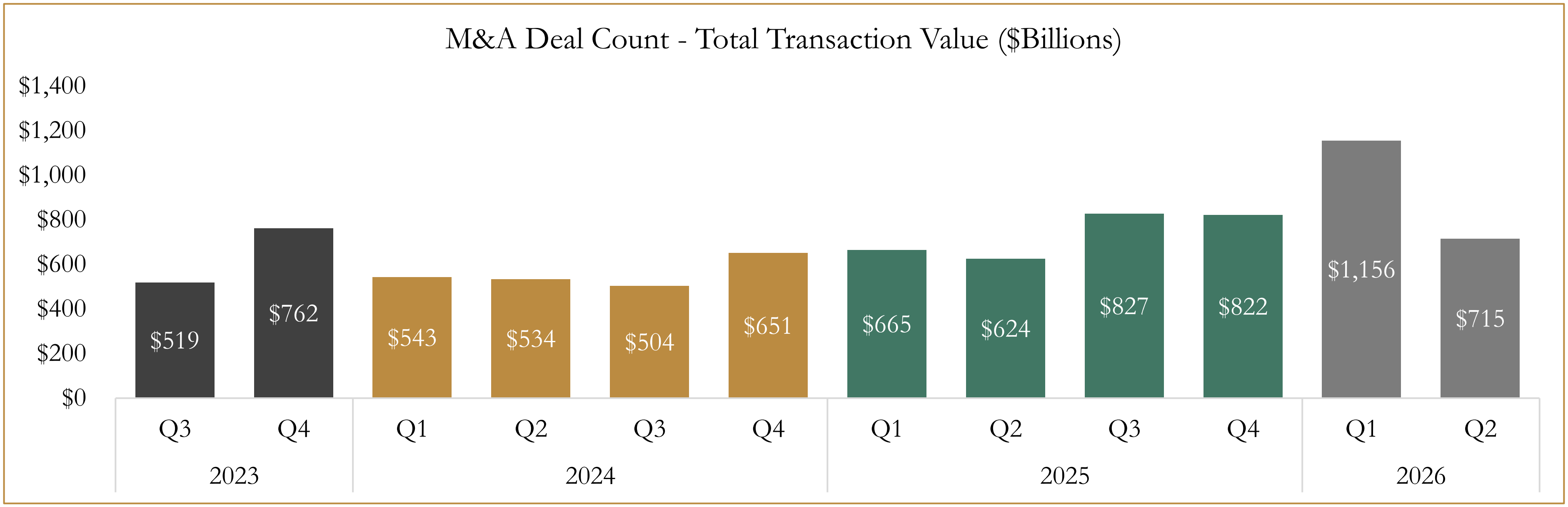
Measures consumer confidence in the economy based on monthly survey data from the University of Michigan.

Source: St. Louis Fed – FRED Economic Data, Institute for Supply Management [1]Figures in Thousands

Macroeconomic Environment

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





Source: Capital IQ; Data derived from M&A activity over the past three years.

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

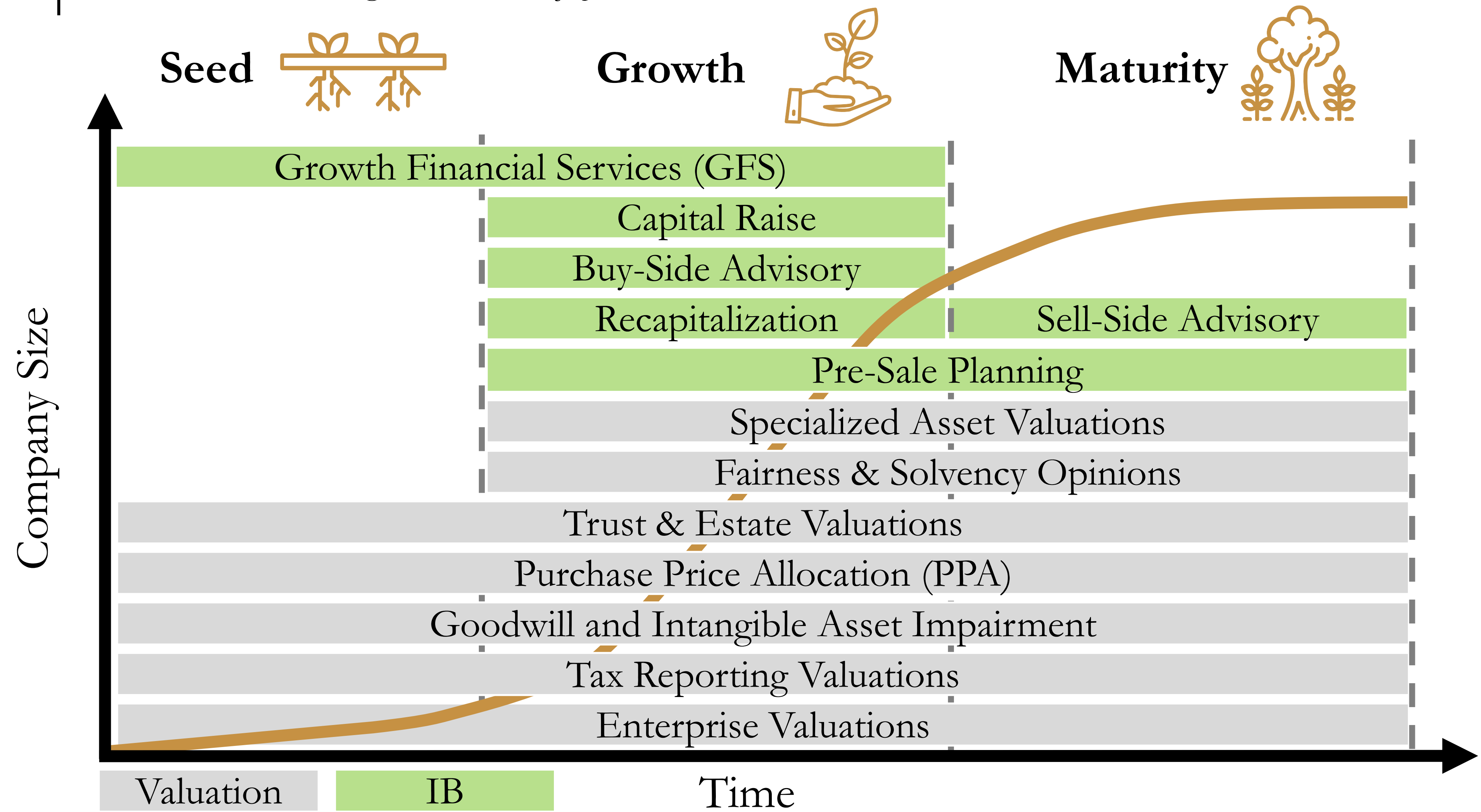
Houlihan Capital Locations

Chicago, IL

Cleveland, OH

5 | Houlihan Capital

Houlihan's Services Along the Business Lifecycle



For questions or inquiries regarding our services, please contact:

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