

HOULIHAN CAPITAL

Valuation & Financial Advisory | Investment Banking

INDUSTRY UPDATE
INDUSTRIALS MARKET
Q3 2026

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01 EXECUTIVE SUMMARY

Key Takeaways

KEY TRENDS

- **AI Infrastructure Continues to Support Industrial Demand:** Data center and power infrastructure buildout remains a key demand driver across electrical equipment and industrial end markets.
- **Strategics Remain Active Around Scarce Capabilities:** Buyers continue to pursue differentiated engineering, manufacturing, and infrastructure assets with exposure to attractive end markets.
- **Sponsors Stay Selective:** PE activity remains healthy, but sponsors continue to emphasize quality assets and disciplined underwriting amid elevated financing costs.

MARKET OVERVIEW

- Industrials Select Sector (XLI) returned approximately +9.1% LTM through September, versus +14.9% for the S&P 500.
- Engineered-components M&A remained active, with 490 U.S. transactions through H1 2026 and strategics representing approximately 56% of volume.
- Sponsors represented approximately 46% of U.S. M&A value through 9M 2026, supporting continued strategic buyer relevance.

EXTERNAL DRIVERS

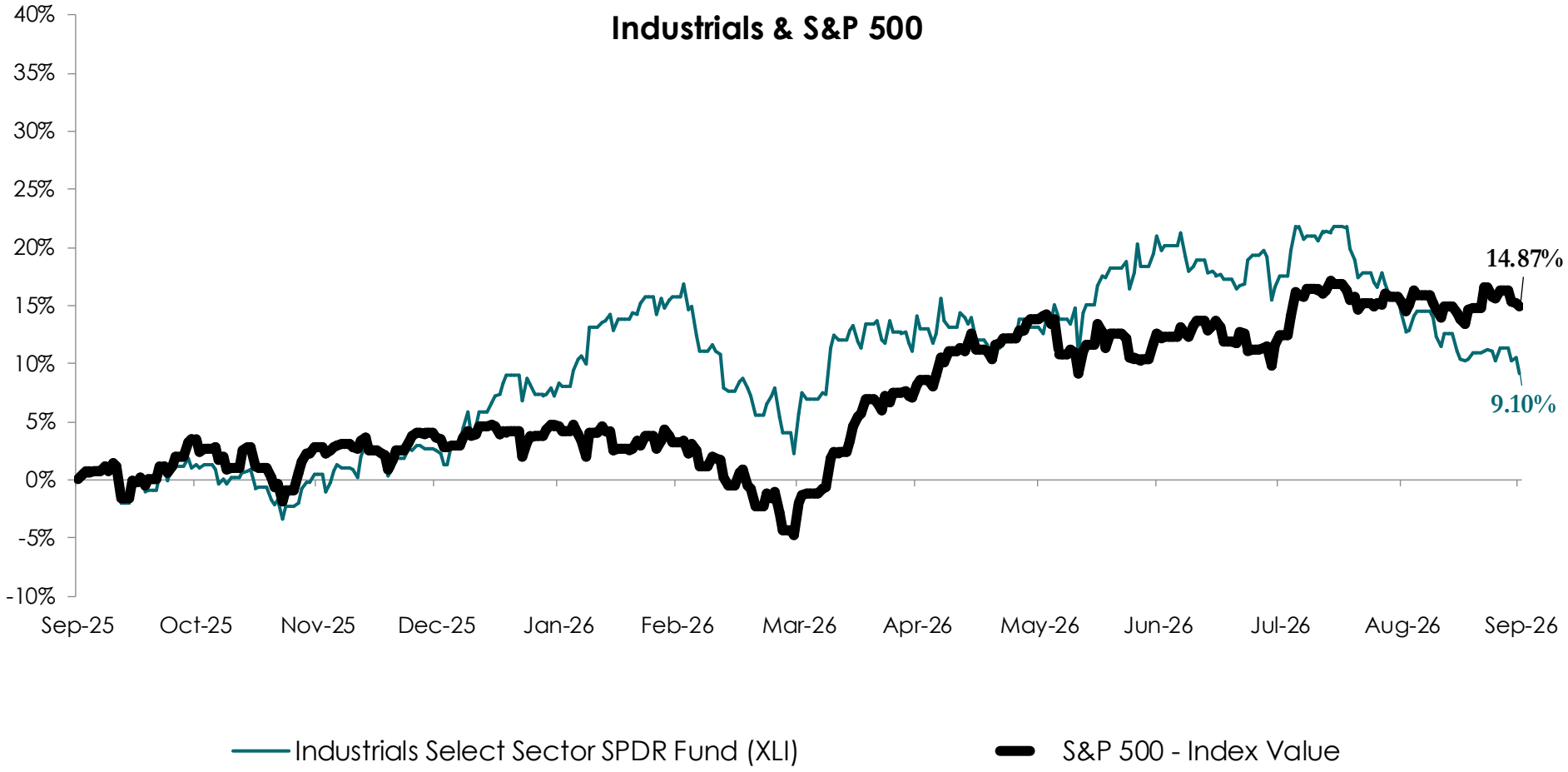
- Manufacturing remained in expansion, with September ISM PMI at 54.5, supported by solid new orders and production.
- Q2 GDP grew 2.2%, while September inflation remained elevated at 3.7%, keeping the macro backdrop mixed.
- Rates stayed elevated at 3.75%–4.00%, while housing and consumer indicators continued to show uneven momentum.

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



02 PUBLIC MARKET PERFORMANCE

Sector ETGF vs. S&P 500



Source: Capital IQ



02 PUBLIC MARKET PERFORMANCE

Key Financial and Valuation Metrics for Large Industry Operators

(USD in millions, except per share data)

		Valuation Metrics					Financial Metrics			
Company Name	**Ticker**	**TEV**	**Price at 09/30/26**	**% 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	$329,697	$312.29	80.3%	6.5x	28.7x	$50,639	$11,483	21.7%	22.7%
RTX Corporation	RTX	$278,985	$185.65	81.8%	3.0x	17.6x	$93,500	$15,895	11.8%	17.0%
The Boeing Company	BA	$176,484	$186.05	73.1%	1.9x	-60.9x	$93,995	-$2,900	24.8%	-3.1%
Lockheed Martin Corporation	LMT	$133,070	$509.25	73.6%	1.7x	13.7x	$77,014	$9,680	7.2%	12.6%
General Dynamics Corporation	GD	$94,949	$331.83	83.0%	1.7x	14.3x	$54,861	$6,633	9.1%	12.1%
TransDigm Group Incorporated	TDG	$92,284	$1,082.60	74.0%	9.2x	18.1x	$10,006	$5,095	16.6%	50.9%
Howmet Aerospace Inc.	HWM	$90,577	$226.18	73.0%	9.9x	32.4x	$9,117	$2,794	18.1%	30.6%
Northrop Grumman Corporation	NOC	$82,703	$483.48	62.5%	1.9x	11.4x	$42,892	$7,255	5.9%	16.9%
Business Service Industrials										
Automatic Data Processing, Inc.	ADP	$110,472	$258.06	87.9%	5.0x	17.2x	$21,947	$6,411	6.7%	29.2%
Quanta Services, Inc.	PWR	$109,769	$642.51	81.5%	3.3x	36.0x	$32,905	$3,045	26.3%	9.3%
Waste Management, Inc.	WM	$107,472	$203.92	82.2%	4.2x	13.8x	$25,667	$7,774	7.2%	30.3%
Cintas Corporation	CTAS	$84,295	$195.06	89.0%	7.3x	27.2x	$11,561	$3,105	9.5%	26.9%
Republic Services, Inc.	RSG	$81,528	$209.87	89.9%	4.8x	15.5x	$16,891	$5,257	3.2%	31.1%
United Rentals, Inc.	URI	$81,286	$1,000.78	84.9%	4.8x	17.3x	$16,832	$4,691	6.9%	27.9%
W.W. Grainger, Inc.	GWW	$65,003	$1,245.76	87.7%	3.4x	20.2x	$18,845	$3,216	7.8%	17.1%
Fastenal Company	FAST	$59,242	$49.53	93.6%	6.5x	29.0x	$9,079	$2,044	13.5%	22.5%
Paychex, Inc.	PAYX	$41,510	$98.50	76.2%	6.3x	13.5x	$6,603	$3,078	14.0%	46.6%
Axon Enterprise, Inc.	AXON	$34,738	$422.52	55.3%	10.8x	210.4x	$3,219	$165	34.6%	5.1%
Verisk Analytics, Inc.	VRSK	$27,057	$167.85	66.4%	8.6x	17.8x	$3,136	$1,516	5.0%	48.3%
Copart, Inc.	CPRT	$20,042	$27.28	59.4%	4.3x	10.7x	$4,666	$1,866	0.4%	40.0%

Source: Capital IQ



02 PUBLIC MARKET PERFORMANCE

Key Financial and Valuation Metrics for Large Industry Operators

(USD in millions, except per share data)

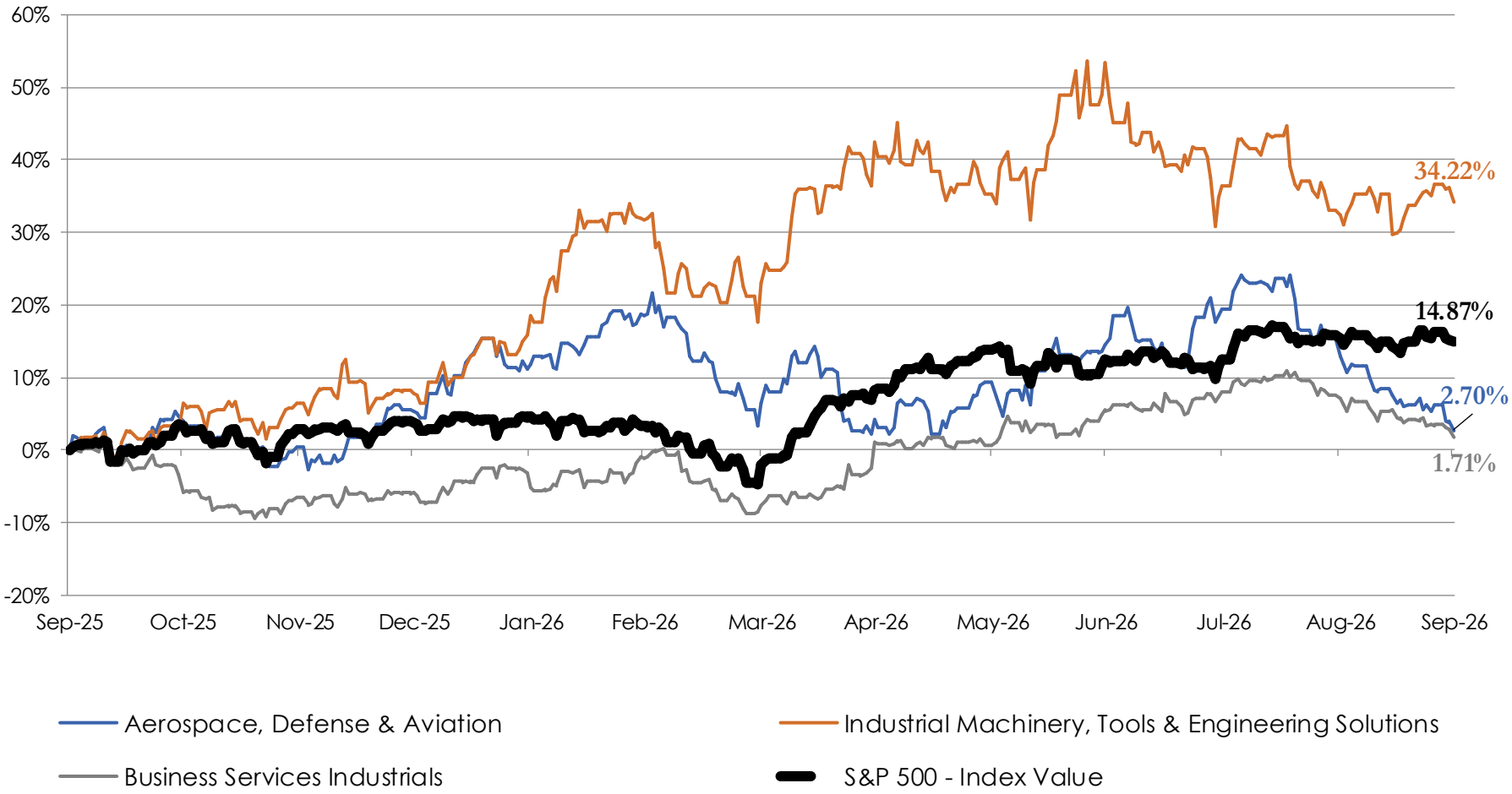
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Industrial Machinery, Tools, & Engineering Solutions										
Caterpillar Inc.	CAT	$394,428	$810.79	75.5%	5.3x	24.3x	$74,729	$16,251	18.4%	21.7%
GE Vernova Inc.	GEV	$259,568	$950.49	79.5%	6.3x	66.1x	$41,367	$3,927	13.0%	9.5%
Deere & Company	DE	$232,946	$671.55	93.1%	4.9x	27.1x	$47,927	$8,600	8.3%	17.9%
Eaton Corporation plc	ETN	$187,032	$429.71	89.9%	6.2x	28.2x	$30,026	$6,639	15.5%	22.1%
Parker-Hannifin Corporation	PH	$128,482	$955.42	86.9%	6.0x	22.7x	$21,499	$5,664	8.3%	26.3%
Trane Technologies plc	TT	$108,494	$451.98	89.3%	4.9x	25.2x	$22,210	$4,308	7.0%	19.4%
Johnson Controls International plc	JCI	$103,647	$148.65	94.6%	4.1x	24.0x	$24,995	$4,325	6.8%	17.3%
Emerson Electric Co.	EMR	$102,837	$155.10	93.2%	5.5x	17.0x	$18,636	$6,058	4.8%	32.5%
3M Company	MMM	$91,854	$164.15	88.8%	3.6x	14.2x	$25,180	$6,488	2.3%	25.8%
Honeywell International Inc.	HON	$91,777	$210.94	42.5%	2.4x	10.8x	$38,057	$8,512	11.0%	22.4%
Illinois Tool Works Inc.	ITW	$84,704	$257.28	84.9%	5.1x	17.6x	$16,469	$4,806	4.3%	29.2%
Cummins Inc.	CMI	$78,294	$516.57	70.0%	2.3x	15.6x	$34,708	$5,020	2.9%	14.5%
PACCAR Inc	PCAR	$62,986	$109.81	78.9%	2.3x	19.3x	$27,816	$3,272	-10.6%	11.8%
Carrier Global Corporation	CARR	$56,738	$54.86	71.5%	2.6x	18.3x	$22,108	$3,093	-1.6%	14.0%

Source: Capital IQ



PUBLIC MARKET PERFORMANCE

Sector ETGF vs. S&P 500



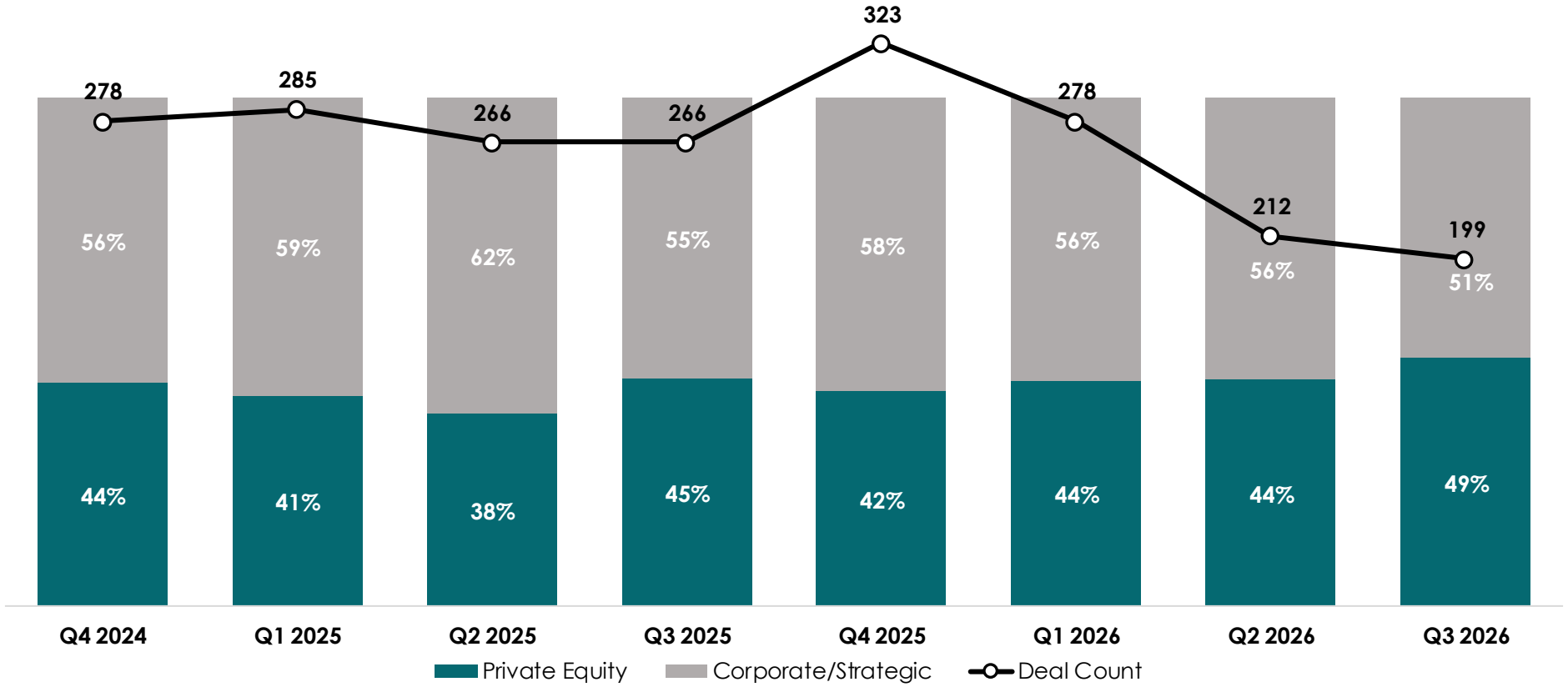
Source: Capital IQ



03 M&A TRENDS

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

Industrial M&A activity declined further in Q3 2026, with total transactions falling to 199, down 6.1% from 212 in Q3 2026 and 25.2% below the 266 deals recorded in Q3 2025. Transaction volume reached its lowest level in the past eight quarters, reflecting continued softness in deal activity. Corporate and strategic buyers maintained a slight majority, accounting for 51% of transactions, down from 56% in the prior quarter, while private equity participation increased to 49% from 44%.



Sources: Pitch Book

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



04 M&A TRENDS

Recent M&A Transactions

(USD in millions)

Close Date	Target	Acquirer	Implied TEV
Jul-26	Chart Industries, Inc.	Baker Hughes Company	$13,721
Aug-26	Atlantic Aviation Corporation	Apollo Global Management, Inc.	$10,000
Aug-26	Filtration Group Corporation	Parker-Hannifin Corporation	$9,250
Aug-26	portfolio of instrumentation businesses of Indicor, LLC	AMETEK, Inc.	$5,000
Jul-26	Traverse Midstream Partners LLC	ePointZero Holding RSC Ltd	$2,250
Jul-26	Madison Fire & Rescue	Bain Capital, LP; 3M Company	$1,950
Jul-26	Electrical Specialists, Inc.	MasTec, Inc.	$1,630
Aug-26	FloWorks International LLC	Ferguson Enterprises Inc.	$1,600
Sep-26	JFB Construction Holdings	Xtend AI Robotics, Inc.	$1,500
Jul-26	Jiffy Lube International, Inc.	Monomoy Capital Management, L.P.	$1,300
Jul-26	DZYNE Technologies, LLC	Ondas Inc.	$830
Jul-26	2,560-Bed California City Detention Facility in California City and Certain	U.S. Department of Homeland Security	$733
Aug-26	Ultra Electronics Advanced Tactical Systems, Inc.	Booz Allen Hamilton Inc.	$720
Jul-26	Aireon LLC	Iridium Communications Inc.	$639
Sep-26	Maritime Applied Physics Corporation	AEVEX Corp.	$582
Jul-26	Southern Parts & Equipment, Inc.	FreightCar America, Inc.	$511
Jul-26	CORMETECH, Inc.	Johnson Matthey Plc	$460
Aug-26	Valco Cincinnati, Inc.	Graco Inc.	$447
Jul-26	Passport Global, Inc.	Global-E Online Ltd.	$425
Sep-26	Cat Pumps Corporation	Franklin Electric Co., Inc.	$400
Jul-26	Prevalon Energy LLC	Nextpower Inc.	$365
Aug-26	Associated Steel Group, LLC	Development Bank of Japan Inc.; Hanwa American Corp.	$347
Jul-26	Valley Holdings I, Inc.	MYR Group Inc.	$328
Aug-26	Kanebridge Corporation	Hillman Solutions Corp.	$315
Sep-26	Environmental, Safety & Health Consulting Services, Inc.	Clean Harbors, Inc.	$305
Jul-26	Astrobotic Technology, Inc.	Voyager Technologies, Inc.	$300
Sep-26	Epsilon Industries Inc.	Everus Construction Group, Inc.	$295
Aug-26	National Technology Integrators, LLC	Dycom Industries, Inc.	$275
Jul-26	Heat Controller, Inc.	Lennox International Inc.	$205
Aug-26	Affordable Wire Management, LLC	STINorland USA, Inc.	$203

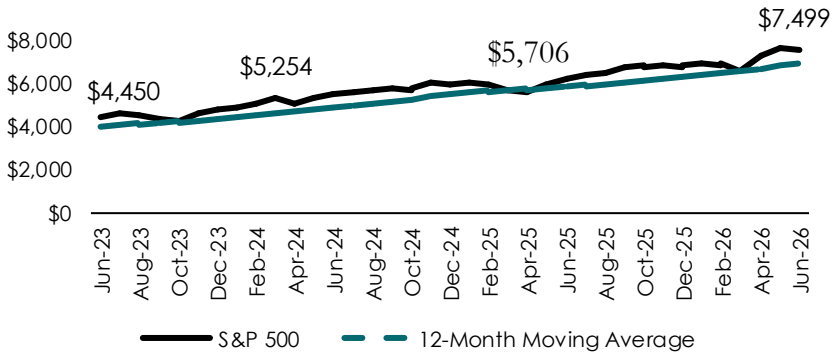
Source: Capital IQ



04 MACROECONOMIC ENVIRONMENT

Macroeconomic Indicators

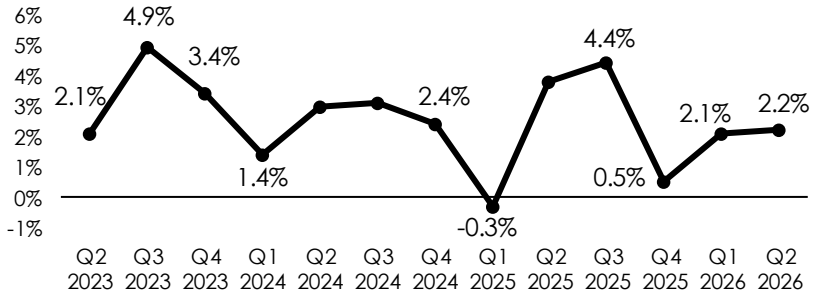
S&P 500



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

Real GDP Growth

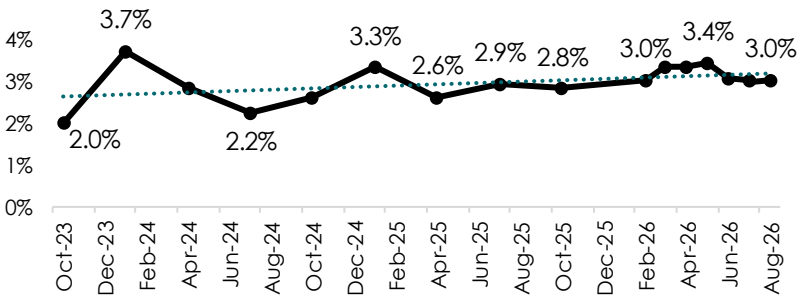
Gross Domestic Product



Tracks inflation-adjusted economic output, typically reported quarterly.

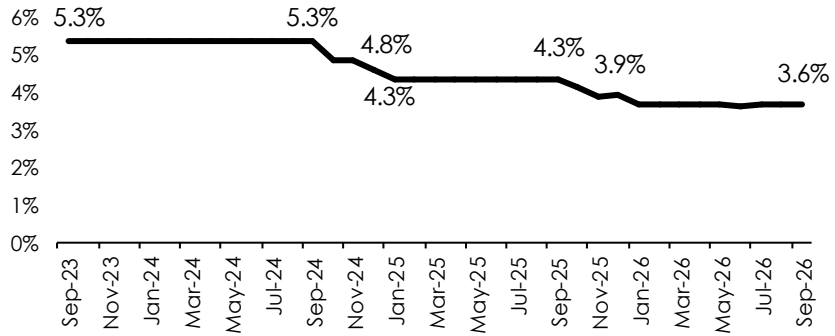
Core PCE

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.

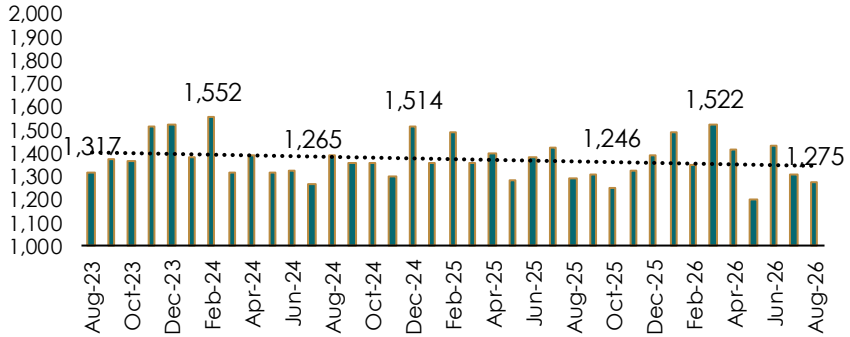
Sources: Capital IQ, St. Louis Fed – FRED Economic Data



04 MACROECONOMIC ENVIRONMENT (cont.)

Macroeconomic Indicators

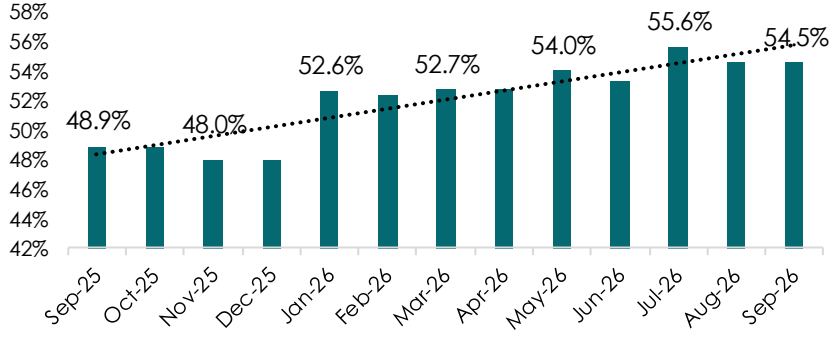
New Privately-Owned Housing Units Started[1]



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

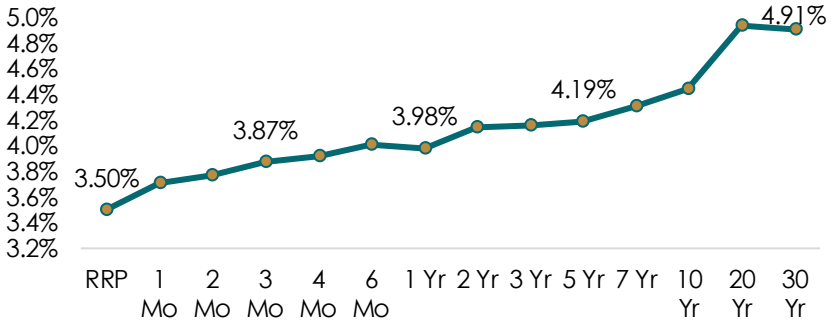
Manufacturing PMI

Purchasing Manager's Index



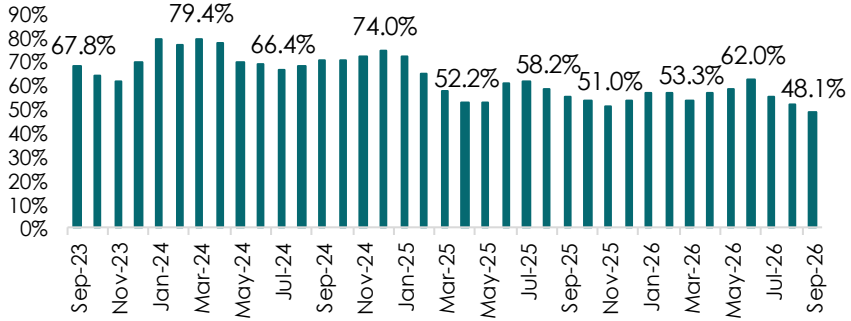
A monthly survey signaling manufacturing sector activity; readings above 50 indicate expansion.

Treasury Par Yield Curve Rates



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

Consumer Sentiment



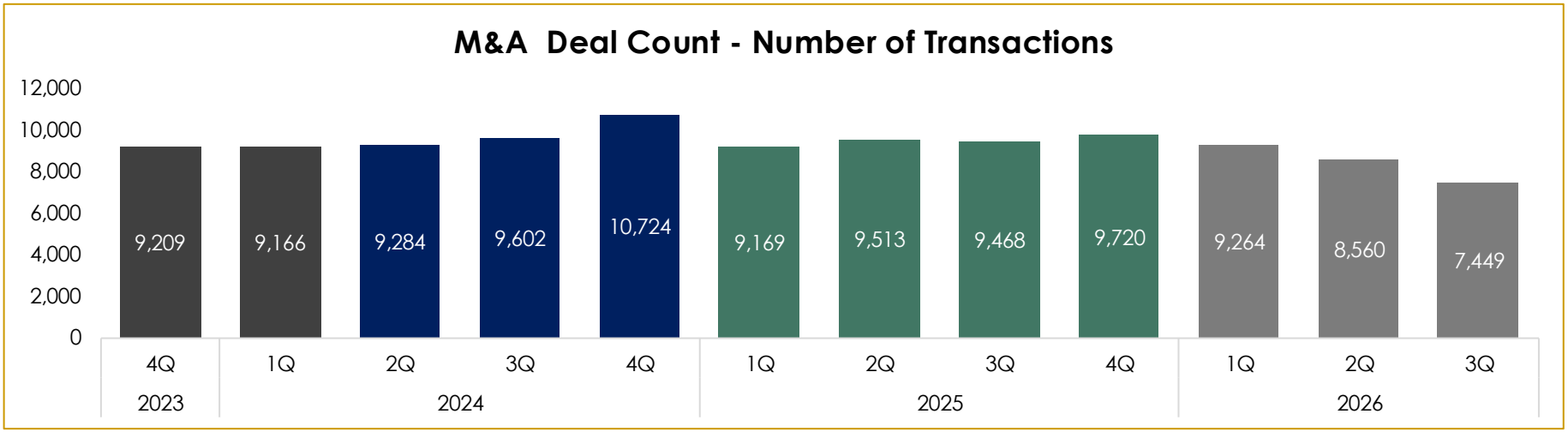
Measures consumer confidence in the economy based on monthly survey data from the University of Michigan.

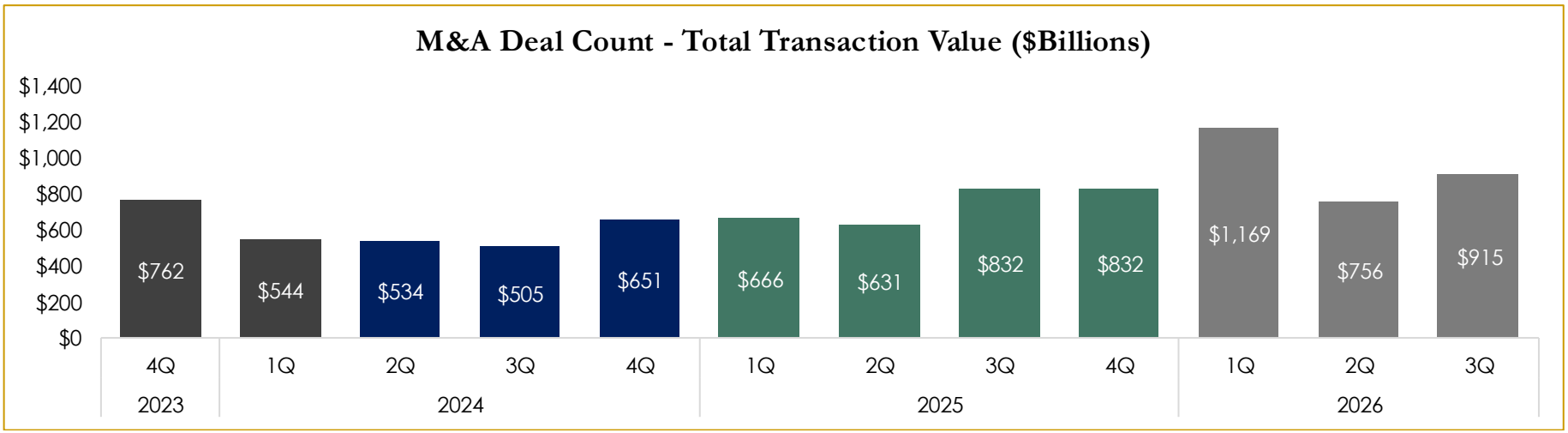
Source: St. Louis Fed – FRED Economic Data, Institute for Supply Management, [1]Figures in Thousands



04 MACROECONOMIC ENVIRONMENT (cont.)

Total M&A Volume (Past 3 years)





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

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ABOUT US

Houlihan Capital is an employee-owned valuation and investment banking firm.

We pride ourselves on delivering exceptional client value and trusted advisory in a dynamic marketplace.

As a FINRA registered broker-dealer, SIPC member, and SOC-compliant firm, we are committed to the highest standards of integrity and professionalism.

OUR HISTORY

Houlihan Capital's origins date back to 1996 when Andrew Smith and Richard Houlihan founded a valuation and investment banking firm to serve small to middle-market companies. Over the years, the firm organically grew to accommodate the needs of an increasingly complex client base.

Today, Houlihan Capital continues that rich tradition through our Valuation & Financial Advisory and Investment Banking groups. We serve some of the largest corporations, hedge funds, private equity funds, venture capital funds and sovereign wealth funds in the world. We pride ourselves on being solutions-driven and delivering superior client value.

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Valuation



Investment Banking

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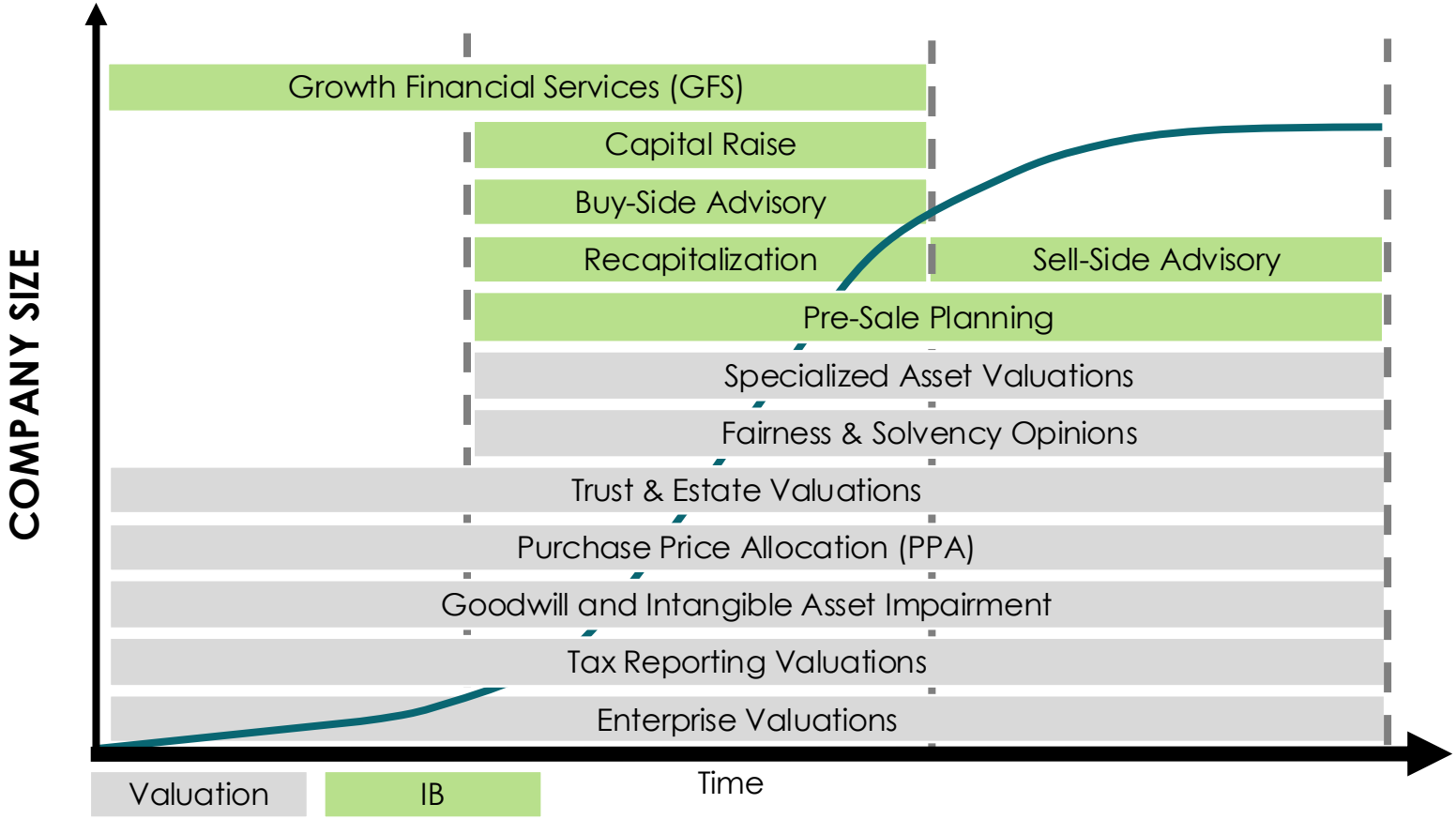
05 HOULIHAN CAPITAL

Houlihan's services along the business lifecycle

SEED

GROWTH

MATURITY



For questions or inquiries regarding our services, please contact: info@houlihancapital.com