



# Capstone Partners

## ENVIRONMENTAL, HEALTH & SAFETY

Q3 2016

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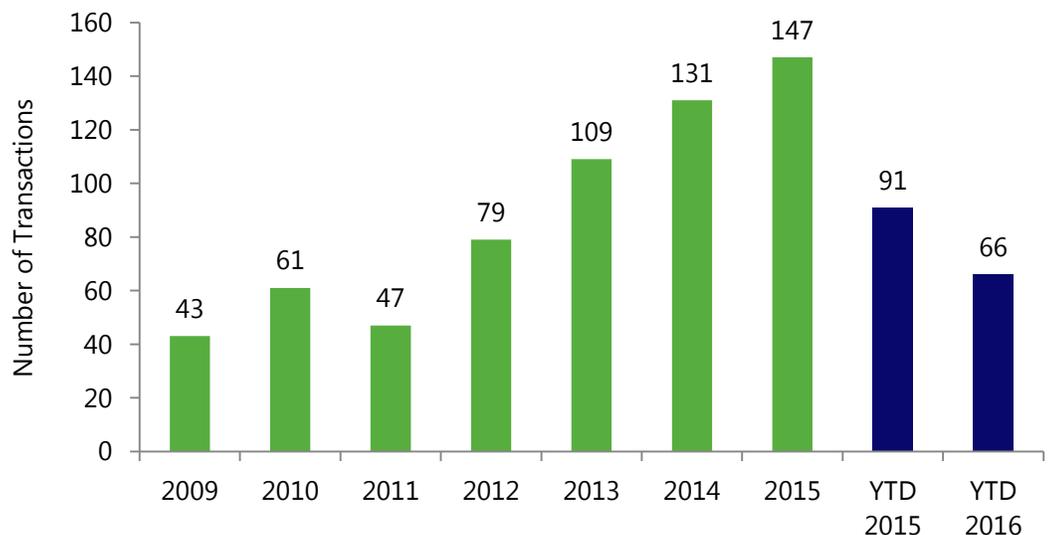
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### **MERGER AND ACQUISITION ACTIVITY**

While an overall decline in middle market activity in 2016 has caused transaction volume to decrease in the Environmental, Health & Safety (EH&S) industry, Capstone expects the market to remain healthy due to increased industrial production and new regulations from the Occupational Safety and Health Administration (OSHA). Due to macroeconomic uncertainty and a natural readjustment of M&A activity, deal volume in the middle market for 1H 2016 declined 17.2% compared with the same period in 2015. As a result, the EH&S industry is on track to see its first decline in deal volume since 2011. Although deal activity have decreased, valuations have remained strong with a median EBITDA of 8.8x in 2016, compared with 8.4x in 2015, and both strategic and financial buyers have sought acquisitions in this industry. Through August 2016, 27.3% of EH&S acquisitions were made by financial acquirers, including both platform investments and add-on acquisitions by portfolio companies. This proportion of acquisitions made by private equity groups is consistent with previous years, as 2015 saw financial buyers account for 32.0% of transaction volume. Industry fragmentation has spurred consolidation by strategic players that are seeking to gain market share and diversify their offerings. Private equity groups have observed this trend and have sought to acquire middle market companies, grow them organically or through acquisitions, and then sell them to strategic players. Through conversations with buyers, Capstone has noticed an increased interest in EH&S personal protective equipment (PPE) manufacturers. In 2016, PPE manufacturers accounted for 25.8% of transaction volume, while technology/services and distributors accounted for 56.1% and 18.1% of volume, respectively.

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**EH&S M&A Transactions**



YTD ended as of August 31, 2016  
Sources: Capital IQ, Capstone Partners LLC research

## KEY TRENDS AND DRIVERS

There are a number of drivers and trends that have had a significant impact on industry growth as well as M&A activity within the EH&S industry. Capstone has identified a few of these factors and has outlined them below.

- ▶ **OSHA regulations** – According to the Bureau of Labor Statistics (BLS), there were about 3.0 million non-fatal workplace injuries and illnesses reported by private industry employers in 2014 – the most recent data available. To curb such injuries, OSHA continues to pass new regulations, resulting in greater demand for EH&S products and services. In August 2016, a new regulation from OSHA went into effect stating that employers in high-hazard industries are now required to report injury and illness data to OSHA for public access. Dr. David Michaels, Assistant Secretary of Labor for Occupational Safety and Health, commented, “Since high injury rates are a sign of poor management, no employer wants to be seen publicly as operating a dangerous workplace. Our new reporting requirements will ‘nudge’ employers to prevent worker injuries and illnesses to demonstrate to investors, job seekers, customers and the public that they operate safe and well-managed facilities.” Capstone expects that this new regulation and other proposed regulations will boost demand for prospective targets that serve high-hazard industries, creating value for shareholders.
- ▶ **Industrial manufacturing and construction activity** – Industrial manufacturing and construction are two downstream markets that are vital to the health of the EH&S industry. As production increases, manufacturers demand safety products and services to minimize work-related injuries. According to the Federal Reserve Economic Data (FRED) database, seasonally adjusted industrial production reached a two-year low in March 2016 and then rebounded significantly through July. Currently, industrial production is at its highest point since October 2015 and is expected to continue increasing as macroeconomic conditions improve. Construction activity has also increased recently due to similar factors. According to the US Census Bureau of the Department of Commerce (DoC), spending on construction in July 2016 was estimated at a seasonally adjusted annual rate of \$1,153.2 billion, an increase of 1.5% over July 2015. With strong industrial production and construction activity, EH&S product and service providers will see a rise in demand from potential acquirers. Strategic buyers are looking to take advantage of healthy industry fundamentals by consolidating to drive economies of scale, reduce labor costs and compete with foreign competitors. Private equity buyers are primarily attracted to growth in the industry and have sought both platform and add-on acquisitions.
- ▶ **Private equity interest** – Private equity groups and their portfolio companies have remained interested in the EH&S industry in 2016. Buyers have cited the ability to provide operational expertise, accelerate growth and increase offerings as motivations for transactions. Overall, 72.2% of private equity acquisitions have been technology and service providers, while equipment manufacturers and distributors accounted for 16.7% and 11.1% of activity, respectively.

## NOTABLE TRANSACTIONS

Several notable transactions have already been completed or announced in the EH&S industry through Q3 2016. Select transactions are outlined below, followed by a more comprehensive list on the following table.

- ▶ **Lydall acquired Texel (July 2016)** – Lydall Inc. (Lydall) acquired Texel, a division of ADS Inc. which manufactures nonwoven materials, for \$125 million in cash. The deal will strengthen Lydall's position as a specialty engineered products and materials manufacturer. "The acquisition of Texel is highly complementary," according to Lydall's CEO Dale Barnhart, "as it diversifies our filtration and engineered materials business into attractive adjacent markets while leveraging our existing manufacturing capabilities and knowhow." Guy Drouin, CEO of ADS, noted that "Both Texel's and Lydall's commitment to upholding the highest standards of commercial and technical integrity, innovation, and quality makes our respective businesses the perfect fit. Our culture, rooted in customer service and innovation, will fold seamlessly into Lydall."
- ▶ **SureWerx acquired KP Industries (June 2016)** – SureWerx, a Canadian developer of tools, equipment and safety products for North American workers, acquired KP Industries (KP), a US manufacturer of knee and elbow protection. KP designs a leading brand of knee pads called KneePro, which is sold extensively in the US and worldwide. Terms of the deal were not disclosed. "The acquisition of KP Industries is perfectly aligned with our corporate strategy to complement our existing safety programs by introducing a complete professional PPE safety portfolio into the Canadian market and to expand our portfolio and reach into the US safety market," stated Bill Jeffery, SureWerx Senior Vice President of Corporate & Brand Development.
- ▶ **Wolters Kluwer subsidiary acquired Enablon (May 2016)** – Wolters Kluwer's Law & Business group (Wolters Kluwer), a provider of research products and software solutions for legal and business professionals, recently acquired Enablon for \$281.0 million. Enablon provides sustainability, operational risk management, and EH&S software to more than 1,000 companies in 160 countries. The acquisition aligns with Wolters Kluwer's stated goal of expanding its portfolio of legal and compliance software solutions. "We are very excited by the opportunity to join Wolters Kluwer," Dan Vogel, Enablon CEO, commented. "Since the creation of Enablon in 2000, we have been constantly investing in our products, technology and people to benefit our growing community of customers and partners. Joining a global leader would benefit our community by accelerating the growth of our solutions and advancing our position globally." The acquisition will enable Wolters Kluwer to serve the enterprise needs of global organizations, especially in the compliance market. With headquarters in both the US and France, Enablon generated \$50.0 million in 2015 revenue. Of the \$50.0 million in sales, 57.0% was generated in North America, 39.0% in Europe, and 4.0% in Asia and the rest of the world.

**ENVIRONMENTAL, HEALTH & SAFETY: SELECT M&A TRANSACTIONS**

Ann. Date	Target	Acquirer	Target Business Description	Enterprise	EV / LTM	
				Value (mm)	Revenue	EBITDA
08/15/16	Atrium EH&S	EORM A BSI	Offers occupational safety, industrial safety and environmental compliance services.	-	-	-
08/11/16	High Sierra Electronics	Logan Gayl	Manufactures environmental monitoring systems for the protection of lives and property.	-	-	-
08/08/16	R.J. Safety Supply	Mallory Safety and Supply	Operates safety supply stores in California.	-	-	-
08/03/16	American Platform	Safway Group	Distributes satellite mast climbing platforms, safety equipment and fall protection systems.	-	-	-
08/02/16	Hamer Environmental	Environmental Enginuity	Provides environmental consulting services.	-	-	-
08/01/16	MIR3	Emergency Communications	Offers Intelligent Notification, an emergency and mass notification solution.	-	-	-
08/01/16	Ecological Specialists	EcoAnalysts	Provides solutions for instream development and environmental protection.	-	-	-
08/01/16	Electric Specialties	Midwest Alarm Services	Distributes life safety and fire alarm systems.	-	-	-
07/19/16	OBBCO Safety & Supply	Motion Industries	Distributes industrial safety products.	-	-	-
07/08/16	Texel	Lydall	Provides thermo-moldable nonwoven materials, flame-resistant linings and high density felts.	-	-	-
06/29/16	Ecocion	Intelix Technologies	Provides cloud-based environmental services.	-	-	-
06/25/16	Industrial Piping's Fire Div.	S&S Sprinkler	Offers design, installation, inspections and maintenance of automatic fire protection systems.	-	-	-
06/15/16	Slate Rock Safety	Ritz Safety	Distributes safety work apparel for oil and gas, public safety, industrial and manufacturing markets.	-	-	-
06/13/16	KP Industries	SureWerx	Manufactures kneepads, knee protection and elbow pads.	-	-	-
06/03/16	Kentuckiana Sprinkler	Ryan FireProtection	Installs and maintains fire sprinkler systems.	-	-	-
06/01/16	DRIFIRE	National Safety Apparel	Manufactures flame resistant fabrics and protective apparel.	-	-	-
05/31/16	Enablon	Wolters Kluwer Law & Business	Provides sustainability, operational risk management and EH&S software.	\$281.0	5.6x	-
05/19/16	The Safety Zone	S.P. Richards	Manufactures safety gloves, aprons and garments.	-	-	-
05/16/16	Pacific Handy Cutter	Levine Leichtman Capital	Offers safety products for reducing cutter lacerations and employee cut injuries.	-	-	-
05/16/16	AWG Fittings	IDEX	Offers fire-fighting fittings, equipment and hydraulic rescue equipment.	CF	CF	CF
05/12/16	Dade Moeller & Associates	NV5 Global	Offers radiation protection services.	\$20.0	0.8x	-
05/02/16	ONGUARD Industries	Dunlop Industrial	Manufactures protective footwear and clothing products.	-	-	-
04/18/16	Mine Ventilation Services	SRK Consulting	Provides subsurface ventilation and environmental engineering services.	-	-	-
04/15/16	Cannon Hygiene Canada	Birch Hill Equity	Provides washroom hygiene, pest control and life safety services for commercial facilities.	-	-	-
04/11/16	Sage ATC Environmental	ATC Group	Offers specialty environmental services for facilities.	-	-	-

**ENVIRONMENTAL, HEALTH & SAFETY: SELECT M&A TRANSACTIONS (CONTINUED)**

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
04/06/16	Century Fire Protection	FirstService	Designs and maintains fire protection systems.	-	-	-
04/06/16	SambaSafety	ABRY Partners	Offers driver safety assessment and management services.	-	-	-
04/05/16	Aon Fire Protection	JENSEN HUGHES	Provides fire protection engineering and consulting.	-	-	-
03/24/16	Sanexen Environmental	Logistec	Provides contaminated site remediation consulting and contracting.	\$110.8	-	-
03/01/16	Bodine Services	Univar	Offers waste management, environmental consulting and recycling services.	\$45.5	-	-
02/29/16	The Source Group	Apex	Provides technical environmental consulting and engineering services.	-	-	-
02/22/16	United Uniform	Safariland	Retails safety gear and uniforms for law enforcement and public safety professionals.	-	-	-
02/19/16	Safety Works	PIP	Manufactures personal safety products including work gloves, respirators, safety goggles and hard hats.	-	-	-
02/19/16	First Coast Scaffolding	BRACE Integrated	Offers scaffolding and safety equipment.	-	-	-
02/18/16	Lytix	GTCR	Develops video-based driver safety solutions for trucking and transportation organizations.	\$500.0	-	-
02/05/16	Akron Brass	IDEX	Manufactures life-safety, firefighting and emergency response equipment.	\$224.2	1.9x	8.8x
02/03/16	VERSE Solutions	EtQ	Provides environmental health, safety and GMP compliance management software.	-	-	-
01/22/16	Geologic Associates	DBS&A	Provides consulting services for geologic, geotechnical, civil and environmental projects.	-	-	-
01/11/16	Safetec Compliance	Health & Safety Institute	Offers a Web platform to manage chemical inventories and reduce environmental, health and safety risks.	-	-	-
12/24/15	CANBERRA Industries	Mirion Technologies	Manufactures nuclear measurement solutions for safety purposes.	-	-	-
12/07/15	Bowman Manufacturing	The IFH Group	Manufactures personal protective equipment storage and dispensing products.	-	-	-
12/07/15	JENSEN HUGHES	Gryphon Investors	Provides life safety and fire protection consulting, engineering and design services.	-	-	-
12/04/15	Nelbud 360	Team Services	Provides building and fire protection services.	-	-	-
11/30/15	Sanderson's Safety Bus.	Mallory Safety	Distributes safety products.	-	-	-
11/30/15	Action Fire Fab & Supply	Ferguson Fire & Fabrication	Supplies fire protection solutions.	-	-	-
11/13/15	ATC	Bernhard Capital	Offers environmental consulting and occupational health and safety training.	\$63.4	-	-
11/11/15	Price Mine	Compliance Staffing	Offers MSHA and OSHA training for working in mines.	-	-	-
11/06/15	Justrite	Audax	Manufactures storage, handling and security products.	-	-	-
11/02/15	Industrial Solutions	SPI Health and Safety	Distributes protection equipment to mitigate injuries from falls.	-	-	-
11/02/15	Sellstrom Manufacturing	JET Equipment & Tools	Manufactures safety and protection equipment for construction and industrial industries.	-	-	-

**CAPSTONE PARTNERS: SELECT ENVIRONMENTAL, HEALTH & SAFETY TRANSACTIONS**



has been acquired by



In cooperation with Germany-based IMAP, Capstone Partners recently advised AWG Fittings GmbH (AWG) on its acquisition by IDEX Corporation (IDEX). Based in Ballendorf, Germany, AWG produces engineered products for the safety and emergency response markets including valves, monitors and nozzles, under the AWG, Alco, ZR and Lancier brands. Lukas Hydraulik, a subsidiary of IDEX, entered into a definitive agreement to acquire AWG, which will operate within the IDEX Fire and Safety/Diversified Products Segment. Capstone advised the Company on potential North American acquirers and on the US fire protection market. We identified the major players within the market, utilized our industry contacts and procured indications of interest from key fire protection acquirers, including IDEX. Andy Silvernail, IDEX Chairman and CEO, commented, "We are pleased to announce the AWG transaction, and look forward to welcoming them to the IDEX family. AWG brings excellent brands and products to our expanding Fire Suppression platform. This addition, coupled with our recent acquisition of Akron Brass, further supports our global customers with best in class life safety and fire suppression solutions."

**CLIENT  
(CONFIDENTIAL)**

is pursuing a corporate sale

**MANUFACTURER  
OF FIRE SAFETY  
PRODUCTS**



has been acquired by




has been acquired by

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CORPORATE TRAINING**



has recapitalized with




has recapitalized with




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THE ENVIRONMENTAL, HEALTH & SAFETY TEAM



**David Bench, Managing Director**  
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David is a Managing Director in charge of the Western Region, based out of Los Angeles. 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 Los Angeles 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.



**Daniel Schultz, Director of Business Development**  
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Dan oversees Capstone's national business development and industry coverage activities, working closely with current and prospective clients of the firm on matters related to corporate sales, recapitalizations, mergers & acquisitions and growth financings. In his role, Dan is able to deliver specific market intelligence to clients regarding M&A, financing, strategic, industry and competitive trends. Prior to spearheading the firm's business development and market initiatives, he was a Vice President in Capstone's M&A group, managing numerous successful transactions across a variety of industries. Dan also gained hands-on transaction experience as an investment banker at Headwaters MB. He started his career with Ernst & Young's National Professional AABS practice in New York and later worked in Assurance and Advisory Business Services in the Denver office. Dan received a BE in Biomedical Engineering with a Business Minor from Vanderbilt University. He earned an MBA and a Master of Accountancy from the Daniels College of Business at the University of Denver.

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## ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a premier investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides M&A, corporate restructuring, private placement and financial advisory services. 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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# Capstone Partners

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