

THE FPDA MOTION & CONTROL NETWORK

Fluid Power Survey Results March 2015



CLEVELAND
RESEARCH COMPANY

Highlights

Background:

- The February survey had 31 respondents comprised of 24 distributors and 7 manufacturing firms.

Summary Thoughts:

- Our fluid power work indicates activity failed to recover from the weak start to the year as a further reduction in oil & gas markets and a slight headwind from weather hurt sales in February. Manufacturer orders declined for the second month in a row with order softness coming from oil & gas customers. The 2015 outlook was left unchanged in the month but we continue to expect a ~200-300bp headwind from deteriorating conditions in oil & gas markets.

Highlights:

- The February FPDA Index produced a reading of 50.5, down from 53.3 in January while the broader ISM moderated to 52.9, down from the 53.5 reading last month.
- Our February fluid power survey indicates sales were up 2% in February, inline with January, with weather and another stepdown in oil & gas markets blamed for soft trends.
- Manufacturer orders remained negative for the second month in a row (down 1% in February, vs down 2% in January) with oil & gas blamed for the weakness.
- Sources continue to forecast 5-6% growth in 2015 as the pending weakness from oil & gas markets which we expect to be a ~200-300bp headwind is not yet reflected.

February FPDA Index

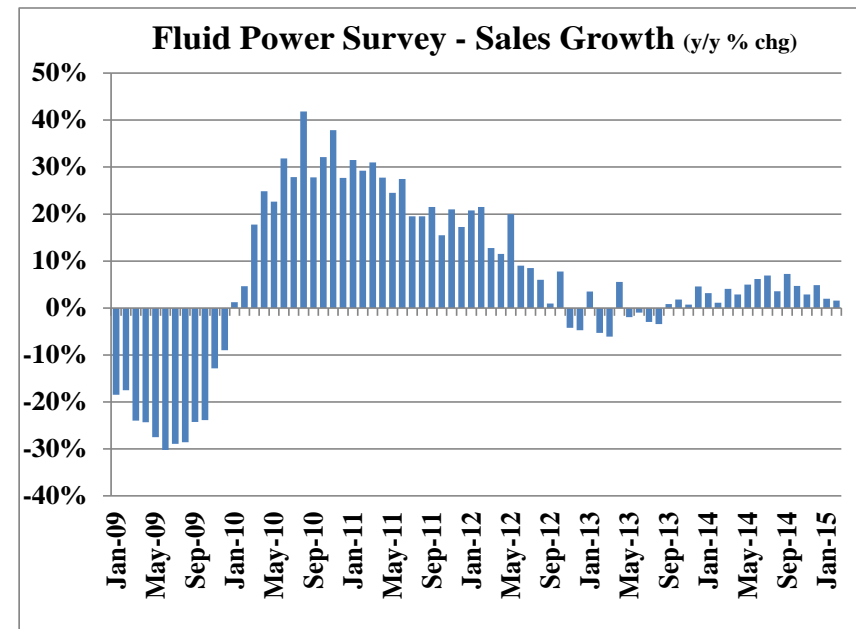
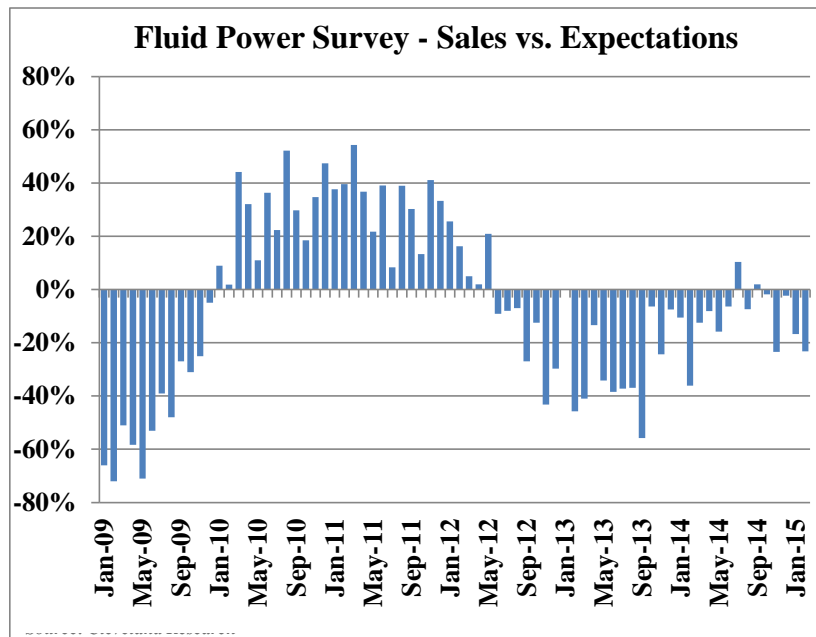
- The February FPDA Index produced a reading of 50.5, down from 53.3 in January while the broader ISM moderated to 52.9, down from the 53.5 reading last month.
- The FPDA Index is similar in construction to the widely followed ISM Purchasing Manager's Index. These are both seasonally adjusted diffusion indexes which measure the month-to-month change in each of the categories listed below. A reading of 50 indicates no change and the further above or below 50 indicates a faster or slower rate of change.

Fluid Power Index

Index	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Direction	Rate of Change	Trend (months)
Sales	68.1	66.6	43.1	35.5	55.0	60.9	38.2	77.3	33.0	59.6	70.8	56.4	57.8	63.9	48.5	59.4	72.2	53.1	64.7	66.9	31.3	50.2	53.5	46.6	Slowing		1
Prices	52.6	54.9	52.4	54.6	66.1	57.2	58.2	61.6	65.9	63.9	79.8	60.4	57.6	55.7	57.3	58.4	60.6	58.4	56.7	59.2	63.6	61.2	67.1	57.3	Growing	Slower	57
Orders	47.9	71.4	37.9	34.2	57.9	56.1	44.1	71.3	37.0	55.0	77.7	50.6	59.4	56.0	54.0	56.3	71.6	48.6	70.5	75.5	29.7	57.5	57.8	45.0	Slowing		1
Backlog	37.9	48.4	47.1	38.5	44.9	41.1	41.3	52.2	47.2	53.0	67.6	65.7	59.5	61.1	59.5	54.0	63.9	54.9	60.6	68.5	36.4	51.2	50.0	39.7	Slowing		1
Outlook	43.3	46.7	62.1	38.5	43.8	47.7	42.7	52.2	50.0	62.9	63.5	56.6	57.5	52.8	50.0	55.0	58.5	53.8	52.9	61.5	48.9	64.3	55.0	47.5	Slowing		1
Inventory	53.1	45.0	40.9	46.2	45.1	47.7	51.2	55.3	39.2	48.6	55.1	55.4	60.0	65.3	58.6	56.5	58.8	62.0	59.8	50.9	60.6	55.8	48.8	53.6	Growing		1
Supplier Deliveries	47.5	51.7	46.8	54.0	53.5	55.5	57.7	58.7	58.7	62.2	51.9	55.9	53.7	52.6	65.9	62.2	59.4	60.1	60.4	60.9	64.9	64.1	57.2	59.3	Growing	Faster	21
Employment	53.3	49.2	51.1	42.5	49.9	53.2	53.5	55.1	54.8	55.3	61.7	60.5	56.7	57.6	56.5	60.9	62.5	61.0	63.4	58.5	58.9	53.8	49.1	48.2	Slowing	Faster	2
Accounts Receivable	46.7	46.6	50.0	41.0	45.0	43.0	46.5	45.5	47.2	45.6	39.7	46.1	47.5	40.5	47.2	45.2	45.6	43.5	47.0	49.1	42.4	41.9	41.7	39.3	Slowing	Faster	21
Overall FPDA Index	54.0	56.8	44.0	42.5	52.3	54.7	49.0	63.6	44.5	56.1	63.5	55.8	57.5	59.1	56.7	59.0	64.9	57.0	63.8	62.5	49.1	56.3	53.3	50.5	Growing	Slower	3
Memo: ISM PMI Index	54.2	50.7	49.0	50.9	55.4	55.7	56.2	56.4	57.3	57.0	51.3	53.2	53.7	54.9	55.4	55.3	57.1	59.0	56.6	59.0	58.7	55.5	53.5	52.9	Growing	Slower	21

February Sales Fail to Accelerate as O/G Markets Soften

Our February fluid power survey indicates sales were up 2%, inline with last month as soured called out weaker trends in O/G as well as a headwind from weather in parts of the country. Sales again missed expectations in the month with a net 23% our sources missing, worse than the net 17% who missed plan last month. Weakening O/G spending appears to be beginning to flow through to sales with a more significant impact expected over the next several months. Outside of oil and gas we are seeing increasingly mixed trends across OEM's and capital projects. Interestingly, we are hearing a strong dollar is starting to impact OEM's exporting outside the U.S.



Monthly Sales Growth – February 2015

	Total						
	2009	2010	2011	2012	2013	2014	2015
January	-19%	1%	32%	21%	4%	3%	2%
February	-18%	5%	29%	22%	-5%	1%	2%
March	-24%	18%	31%	13%	-6%	4%	
April	-24%	25%	28%	12%	6%	3%	
May	-28%	23%	25%	20%	-2%	5%	
June	-30%	32%	28%	9%	-1%	6%	
July	-29%	28%	20%	9%	-3%	7%	
August	-29%	42%	20%	6%	-3%	4%	
September	-24%	28%	22%	1%	1%	7%	
October	-24%	32%	17%	8%	2%	5%	
November	-13%	38%	21%	-4%	1%	3%	
December	-9%	28%	17%	-5%	5%	5%	

	Distributors						
	2009	2010	2011	2012	2013	2014	2015
January	-16%	-6%	28%	26%	1%	3%	3%
February	-17%	-2%	28%	24%	-6%	3%	2%
March	-22%	12%	33%	16%	-5%	5%	
April	-22%	17%	27%	10%	6%	1%	
May	-27%	18%	31%	21%	-3%	4%	
June	-29%	25%	27%	10%	-1%	7%	
July	-29%	23%	23%	13%	-2%	8%	
August	-28%	38%	25%	6%	-5%	3%	
September	-24%	22%	29%	5%	1%	9%	
October	-25%	22%	20%	13%	1%	4%	
November	-14%	31%	28%	2%	2%	2%	
December	-14%	21%	24%	4%	4%	6%	

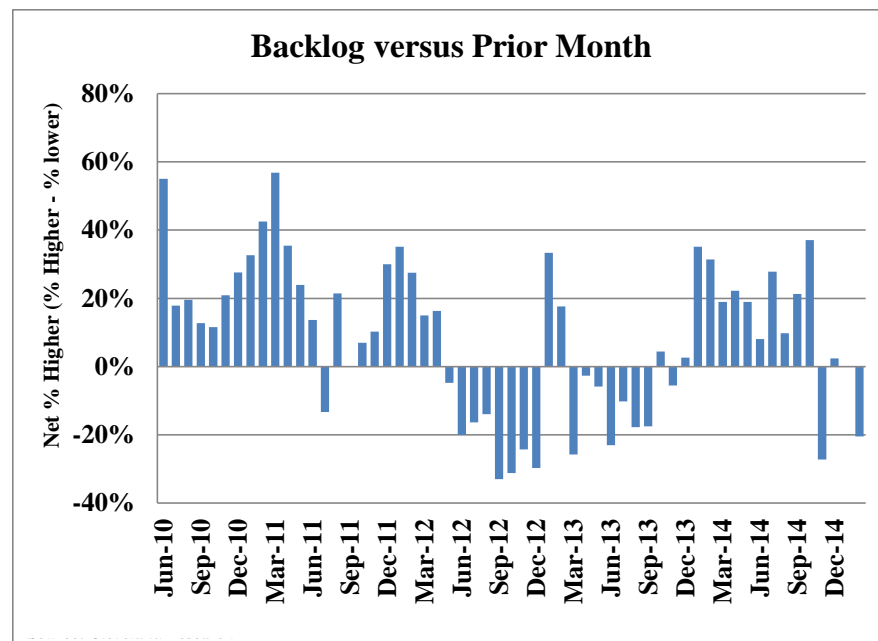
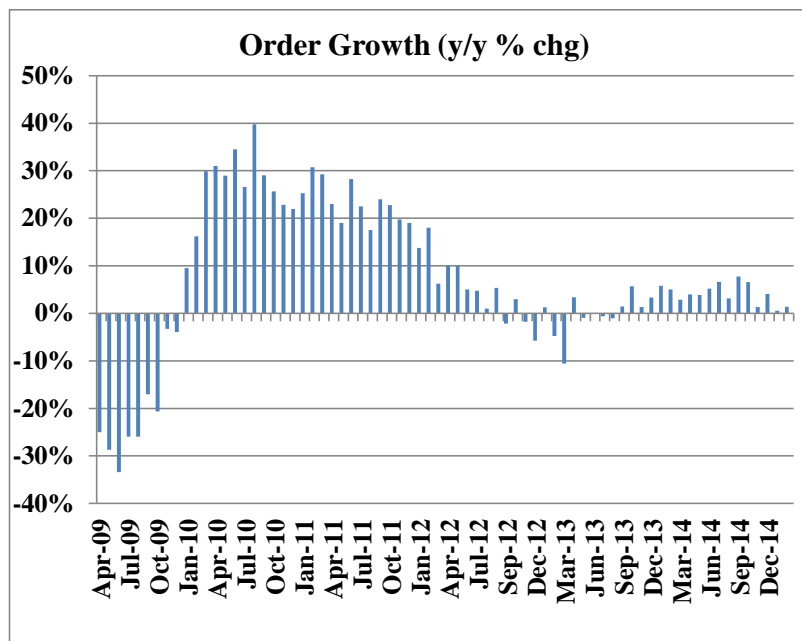
	Manufacturers						
	2009	2010	2011	2012	2013	2014	2015
January	-21%	9%	35%	17%	7%	3%	1%
February	-18%	11%	31%	19%	-5%	-1%	2%
March	-26%	24%	30%	10%	-7%	3%	
April	-27%	32%	29%	13%	5%	4%	
May	-28%	28%	18%	19%	-1%	6%	
June	-32%	39%	28%	8%	0%	6%	
July	-29%	33%	17%	5%	-4%	6%	
August	-29%	46%	14%	6%	-2%	4%	
September	-24%	34%	14%	-3%	1%	5%	
October	-22%	42%	14%	3%	2%	5%	
November	-12%	44%	15%	-10%	-1%	4%	
December	-4%	28%	5%	-8%	5%	4%	

Percent Positive / Negative Growth														
	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
Positive Sales Growth	69%	59%	62%	59%	53%	67%	76%	61%	71%	69%	56%	67%	57%	44%
Flat Sales	11%	14%	18%	16%	18%	14%	7%	6%	8%	11%	11%	7%	5%	22%
Negative Sales Growth	20%	27%	21%	24%	29%	19%	17%	33%	22%	20%	33%	26%	38%	34%
Net % (Positive - Negative)	49%	32%	41%	35%	24%	48%	59%	28%	49%	49%	22%	42%	19%	10%

Results vs. Expectations														
	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
Better than expected	18%	11%	25%	19%	21%	21%	38%	19%	23%	22%	19%	23%	24%	21%
In line with expectations	53%	42%	38%	54%	42%	52%	34%	56%	56%	55%	38%	51%	36%	35%
Worse than expected	29%	47%	38%	27%	37%	27%	28%	26%	21%	24%	43%	26%	40%	44%
Net % (Better - Worse)	-11%	-36%	-13%	-8%	-16%	-6%	10%	-7%	2%	-2%	-23%	-2%	-17%	-23%

February Order and Backlog Growth Moderates

February orders were up 1%, inline last month while backlogs grew 2%, slower than the 3% in January.



Order and Backlog Growth Trends

Total							
	2009	2010	2011	2012	2013	2014	2015
January		9%	25%	14%	1%	6%	1%
February		16%	31%	18%	-5%	5%	1%
March		30%	29%	6%	-11%	3%	
April	-25%	31%	23%	10%	3%	4%	
May	-29%	29%	19%	10%	-1%	4%	
June	-33%	34%	28%	5%	0%	5%	
July	-26%	27%	23%	5%	-1%	7%	
August	-26%	40%	18%	5%	-1%	3%	
September	-17%	29%	24%	-2%	1%	8%	
October	-21%	26%	25%	3%	4%	7%	
November	-3%	23%	20%	-2%	1%	1%	
December	-4%	18%	18%	-6%	3%	4%	

Distributors							
	2009	2010	2011	2012	2013	2014	2015
January		1%	25%	13%	3%	6%	3%
February		12%	31%	19%	-7%	4%	4%
March		29%	30%	10%	-6%	4%	
April	-25%	30%	29%	8%	5%	3%	
May	-27%	28%	27%	5%	-2%	5%	
June	-30%	28%	33%	1%	-2%	7%	
July	-28%	20%	25%	8%	1%	9%	
August	-26%	34%	29%	6%	-1%	3%	
September	-20%	29%	30%	1%	3%	11%	
October	-21%	25%	25%	-4%	4%	7%	
November	-2%	28%	21%	-1%	-1%	2%	
December	-10%	27%	21%	5%	5%	4%	

Manufacturers							
	2009	2010	2011	2012	2013	2014	2015
January		18%	25%	15%	-1%	5%	-2%
February		21%	31%	17%	-3%	6%	-1%
March		31%	29%	3%	-15%	2%	
April	-25%	32%	18%	12%	2%	5%	
May	-31%	30%	12%	15%	0%	3%	
June	-37%	41%	24%	10%	2%	3%	
July	-24%	34%	20%	2%	-2%	5%	
August	-26%	46%	7%	5%	-1%	4%	
September	-14%	29%	19%	-5%	0%	5%	
October	-20%	26%	23%	10%	4%	6%	
November	-4%	17%	19%	-3%	4%	1%	
December	3%	17%	1%	-11%	1%	4%	

Total							
	2009	2010	2011	2012	2013	2014	2015
January			25%	22%	1%	1%	3%
February			32%	18%	-2%	3%	2%
March			40%	15%	-5%	2%	
April			31%	16%	-6%	4%	
May			25%	10%	-2%	3%	
June	24%	29%	8%	-7%	3%		
July	29%	25%	7%	-4%	5%		
August	37%	17%	6%	-3%	4%		
September	37%	24%	4%	-3%	6%		
October	34%	22%	-1%	1%	6%		
November	32%	26%	-3%	0%	2%		
December	25%	19%	-3%	2%	6%		

Distributors							
	2009	2010	2011	2012	2013	2014	2015
January			22%	30%	0%	1%	3%
February			35%	22%	-2%	2%	3%
March			39%	24%	-2%	4%	
April			36%	25%	-6%	4%	
May			37%	11%	-3%	4%	
June	29%	32%	11%	-6%	5%		
July	24%	29%	12%	-5%	6%		
August	29%	36%	7%	-5%	5%		
September	37%	33%	9%	-6%	9%		
October	24%	26%	-4%	1%	7%		
November	23%	29%	-3%	-2%	3%		
December	20%	27%	2%	2%	8%		

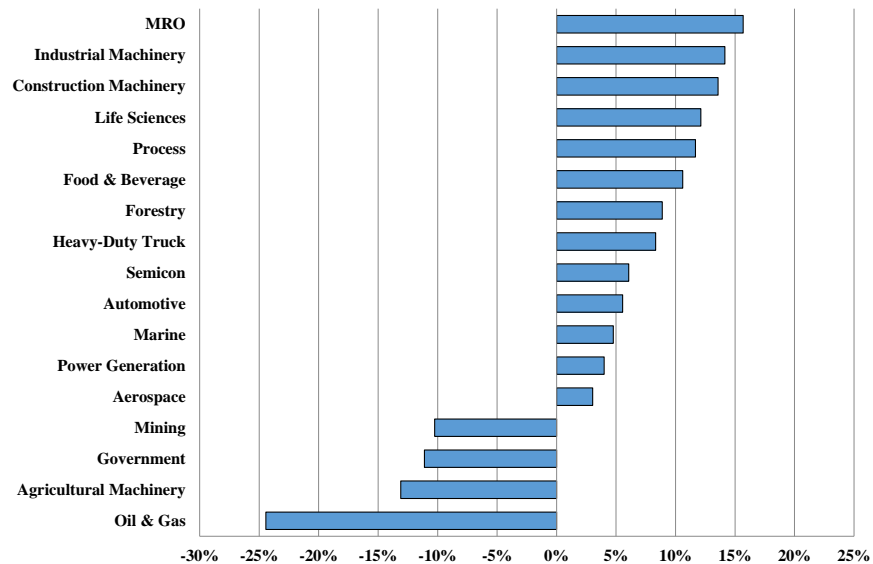
Manufacturers							
	2009	2010	2011	2012	2013	2014	2015
January			28%	13%	1%	1%	2%
February			30%	13%	-1%	3%	1%
March			41%	7%	-8%	1%	
April			27%	7%	-6%	3%	
May			14%	10%	0%	2%	
June	20%	25%	6%	-7%	2%		
July	34%	22%	3%	-3%	4%		
August	45%	-1%	6%	-1%	2%		
September	37%	16%	-1%	1%	2%		
October	45%	19%	3%	0%	6%		
November	41%	23%	-4%	1%	1%		
December	30%	1%	-6%	1%	3%		

End Market Highlights – Oil & Gas Remains Weakest Reported

End Market

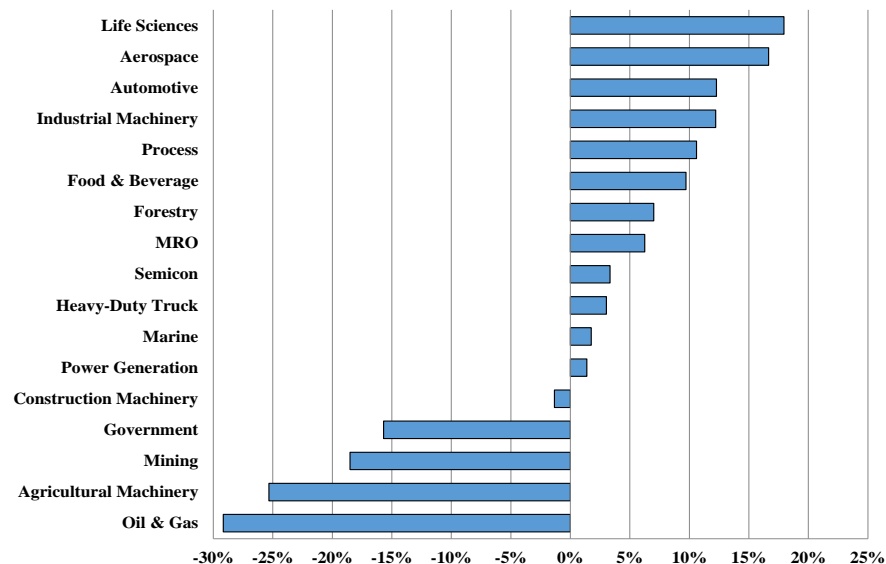
End Market Highlights - From an end market perspective, 13 out of 17 markets were reported in positive territory in February, inline with January trends. Sequentially, 14 markets weakened led by construction and ag equipment with aerospace and automotive improving the most vs last month. Oil & gas remained the weakest reported end market in February followed by agriculture while life sciences and aerospace were the relative strongest in the month. Expectations for significant declines in O/G markets appear to be reflected in our end market rankings with many of our contacts anticipating meaningful sales declines to start in the next 4-8 weeks.

End Market Ranking (Net % Strong - Weak)
January 2015



Source: Cleveland Research

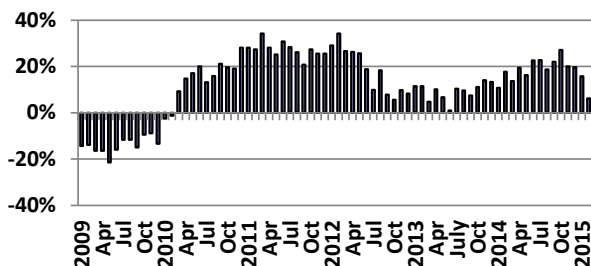
End Market Ranking (Net % Strong - Weak)
February 2015



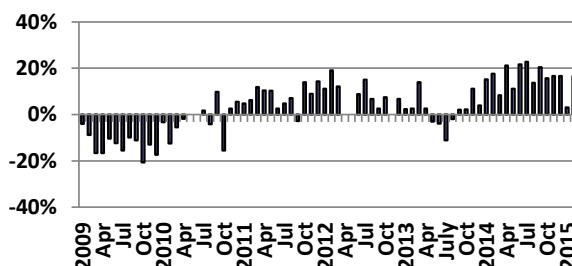
Source: Cleveland Research

End Market Trends

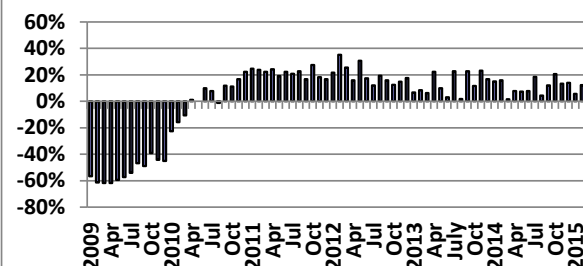
Maintenance, Repair and Operations (MRO)



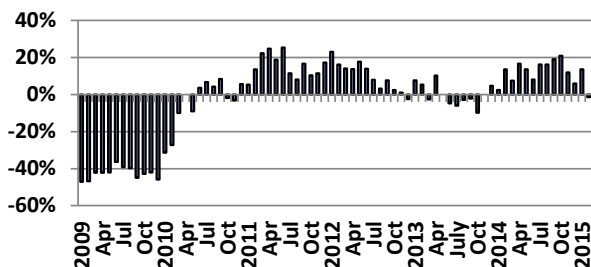
Aerospace



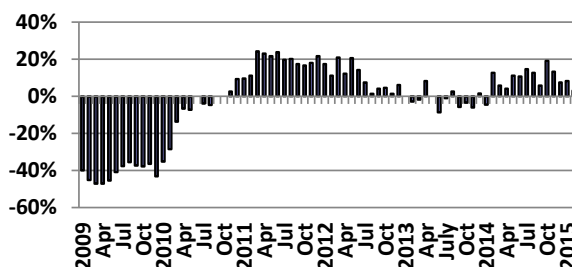
Automotive



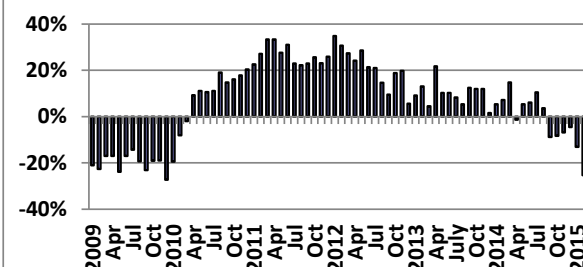
Construction Machinery



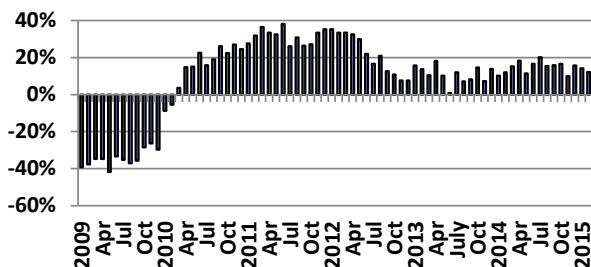
Heavy-Duty Truck



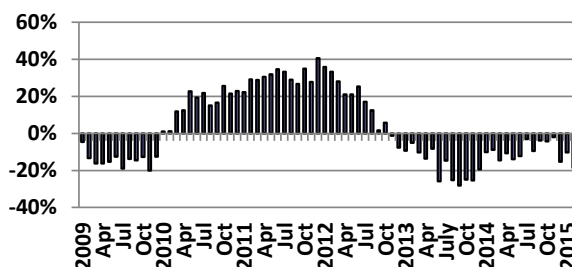
Agricultural Machinery



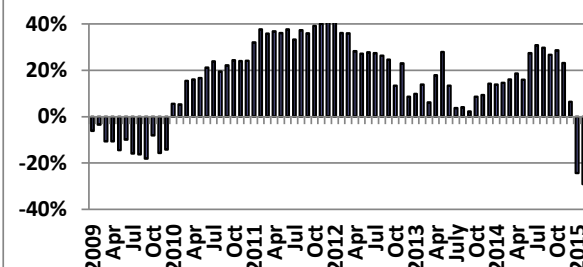
Industrial Machinery



Mining

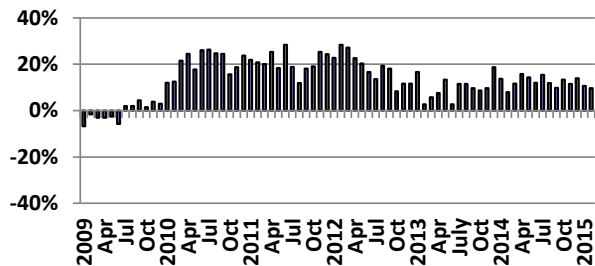


Oil & Gas

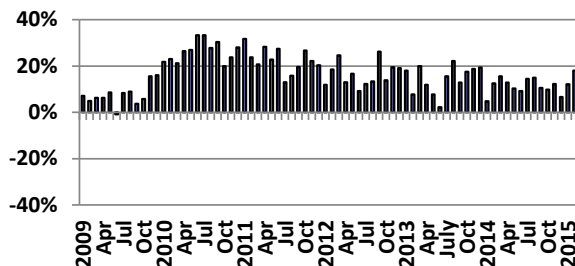


End Market Trends

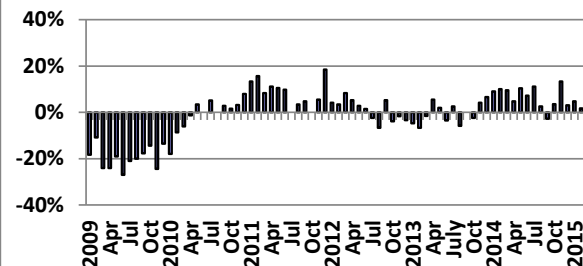
Food & Beverage



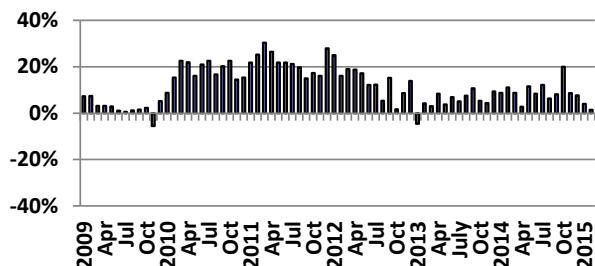
Life Sciences



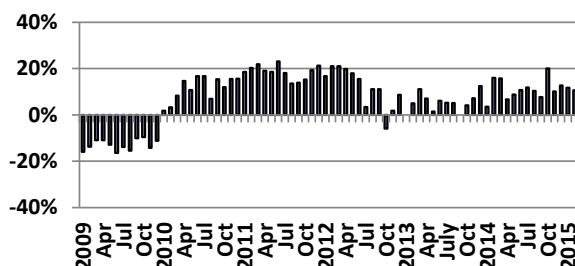
Marine



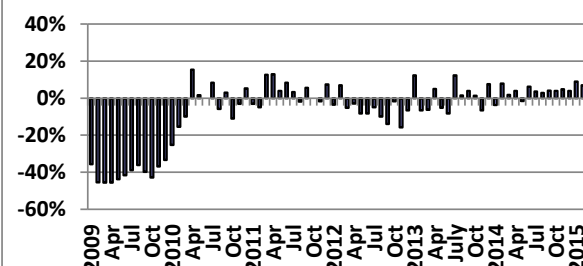
Power Generation



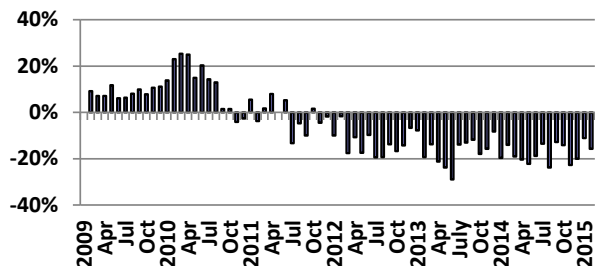
Process



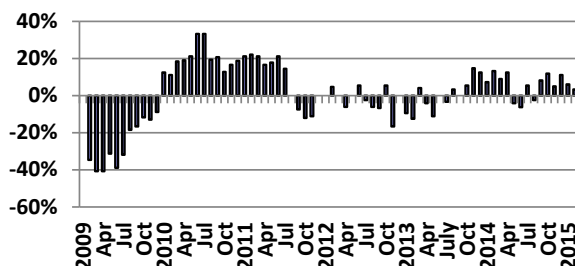
Forestry



Government



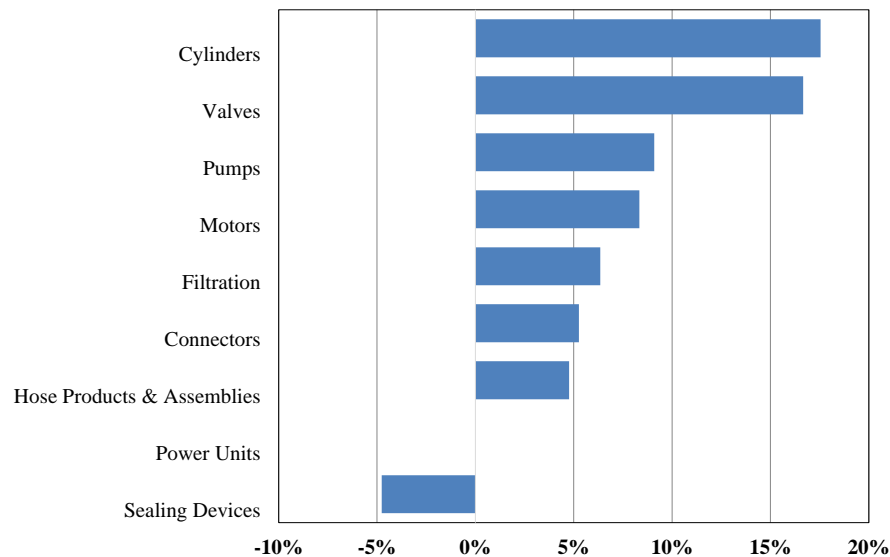
Semicon



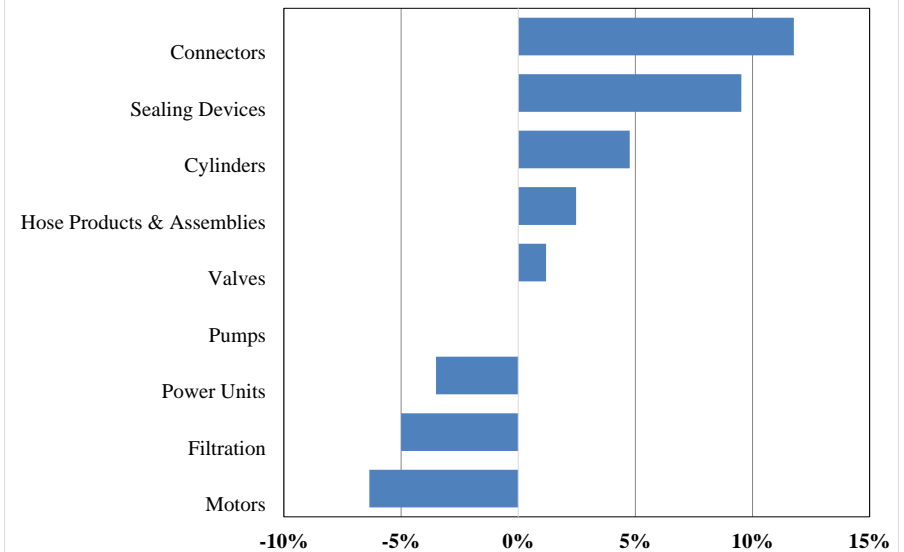
Product Category Ranking

Five out of nine product categories were reported as strong in February, two fewer than January, with connectors, sealing devices and cylinders reported as the strongest product categories while power units, filtration and motors were reported as the relative weakest in the month.

Product Category Ranking (Net % Strong - Weak)
January 2015



Product Category Ranking (Net % Strong - Weak)
February 2015

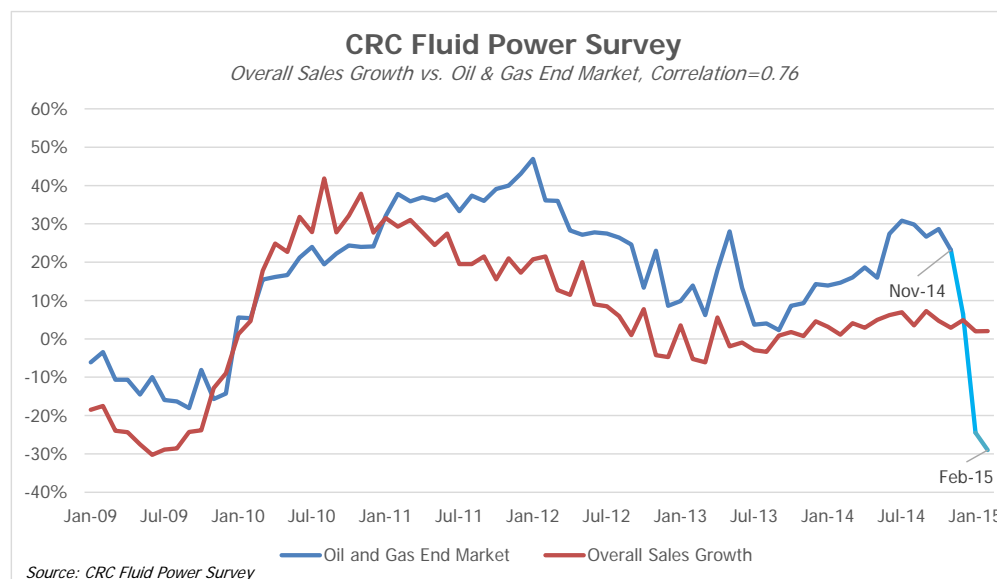


2015 Outlook Unchanged as Pending Impact from O/G Weakness Not Currently Reflected

Sources continue to forecast 2015 revenues up 5-6%, inline to slightly ahead of the 5% growth in 2014. At this time we expect current outlooks to moderate 200-300bp as we move through the year, primarily driven by weaker O/G spending which is in the early innings of deteriorating. Consistent with this expectation, manufacturer orders declined in February (down 1% vs down 2% in Jan) for the second consecutive month (first time since Aug-13) with sources blaming O/G markets for the declines.

Fluid Power Outlook							
	2012	2013	2014	2015			
Sales Growth (y/y)	Actual Results	Actual Results	Actual Results	Aug-14	Sep-14	Oct-14	Nov-14
Overall	8%	0%	5%	~6%	5-6%	5%	5%
Distributors	8%	0%	5%	6%	5-6%	5%	5%
Manufacturers	8%	0%	5%	6%	5%	5%	5%

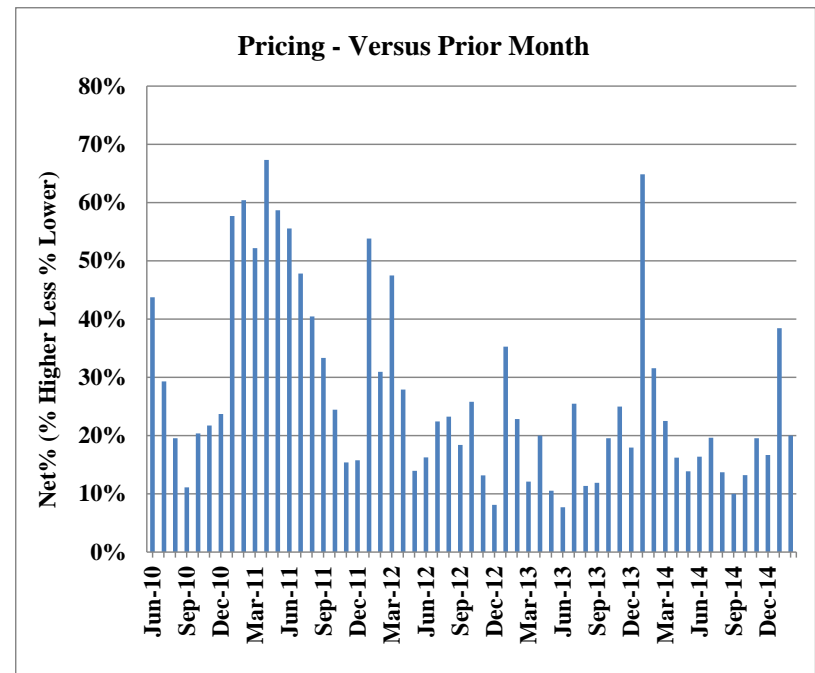
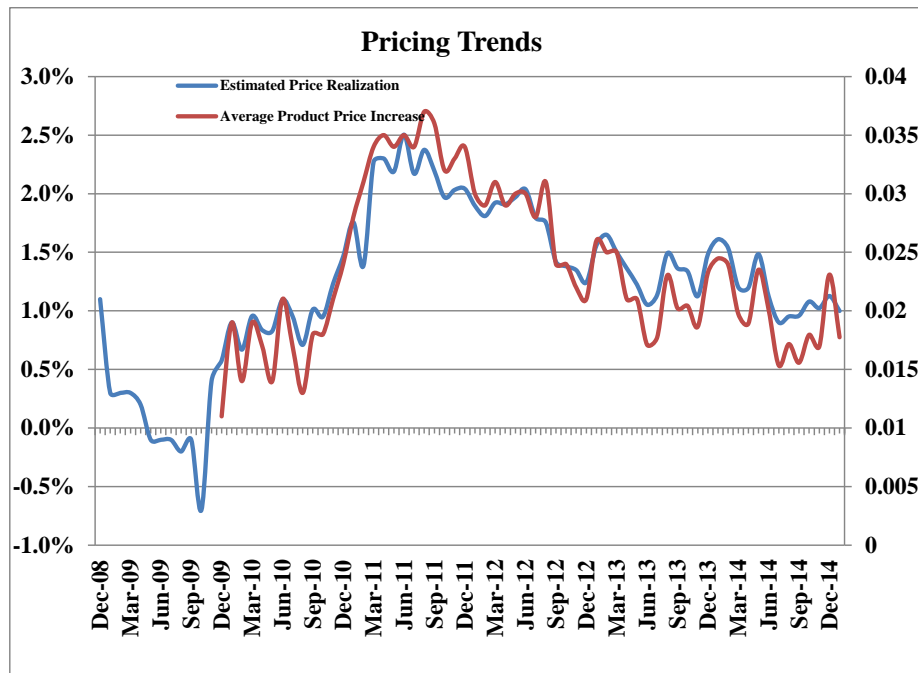
Source: Cleveland Research



Price Contribution Trends

Price Realization Deteriorates in February

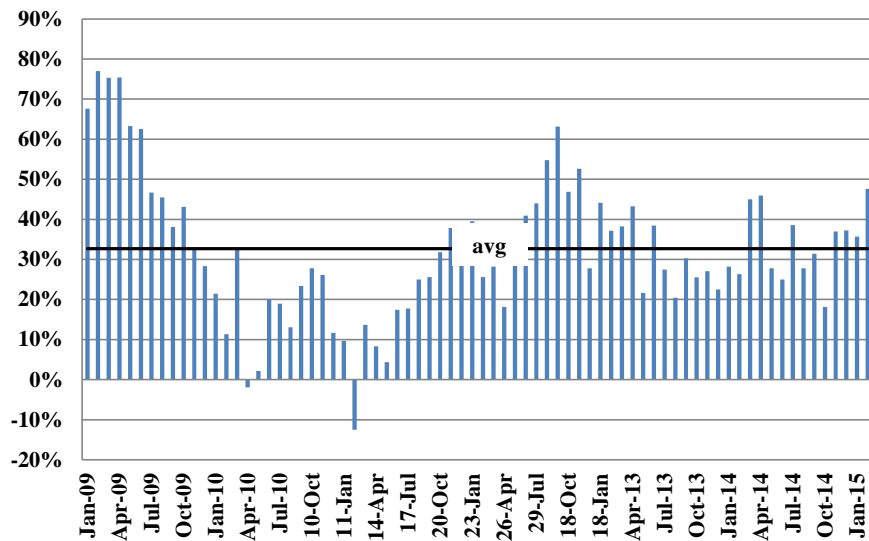
We are hearing average product price increases were 1.7% in February down from 1.8% in January while price realization, was down from last month at 0.8% (at lowest level since Aug-2010) vs 1.0% in January.



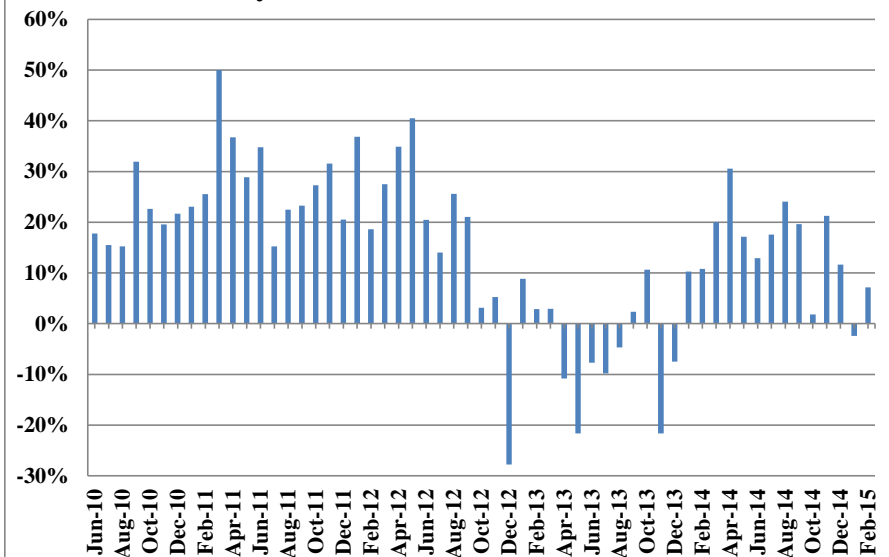
Inventory Trends

February Inventories Increase Inventory levels increased moderately in February with a net 7% of sources reporting higher inventories in the month up from a net 2% reporting lower inventories last month. A net 48% of sources reported inventories were “too high” in February up sharply from January and well above the long run average of 33%.

Inventory Levels - Net % "Too High"

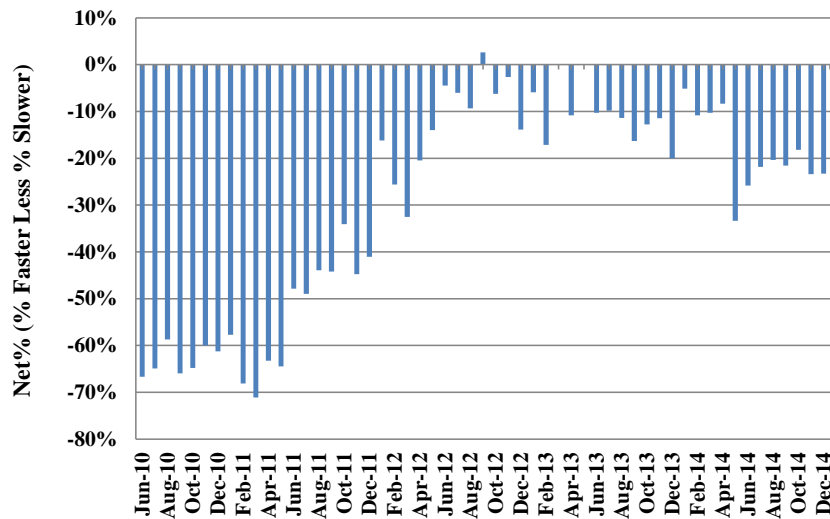


Inventory Levels - Versus Prior Month

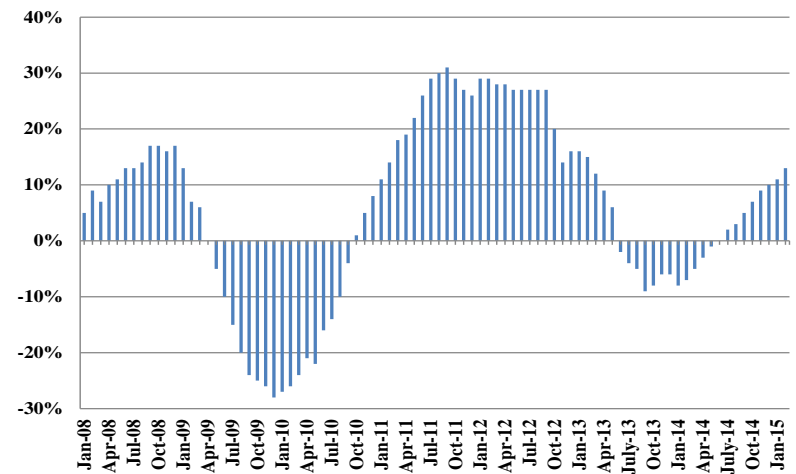


Inventory Levels

Supplier Deliveries - Versus Prior Month



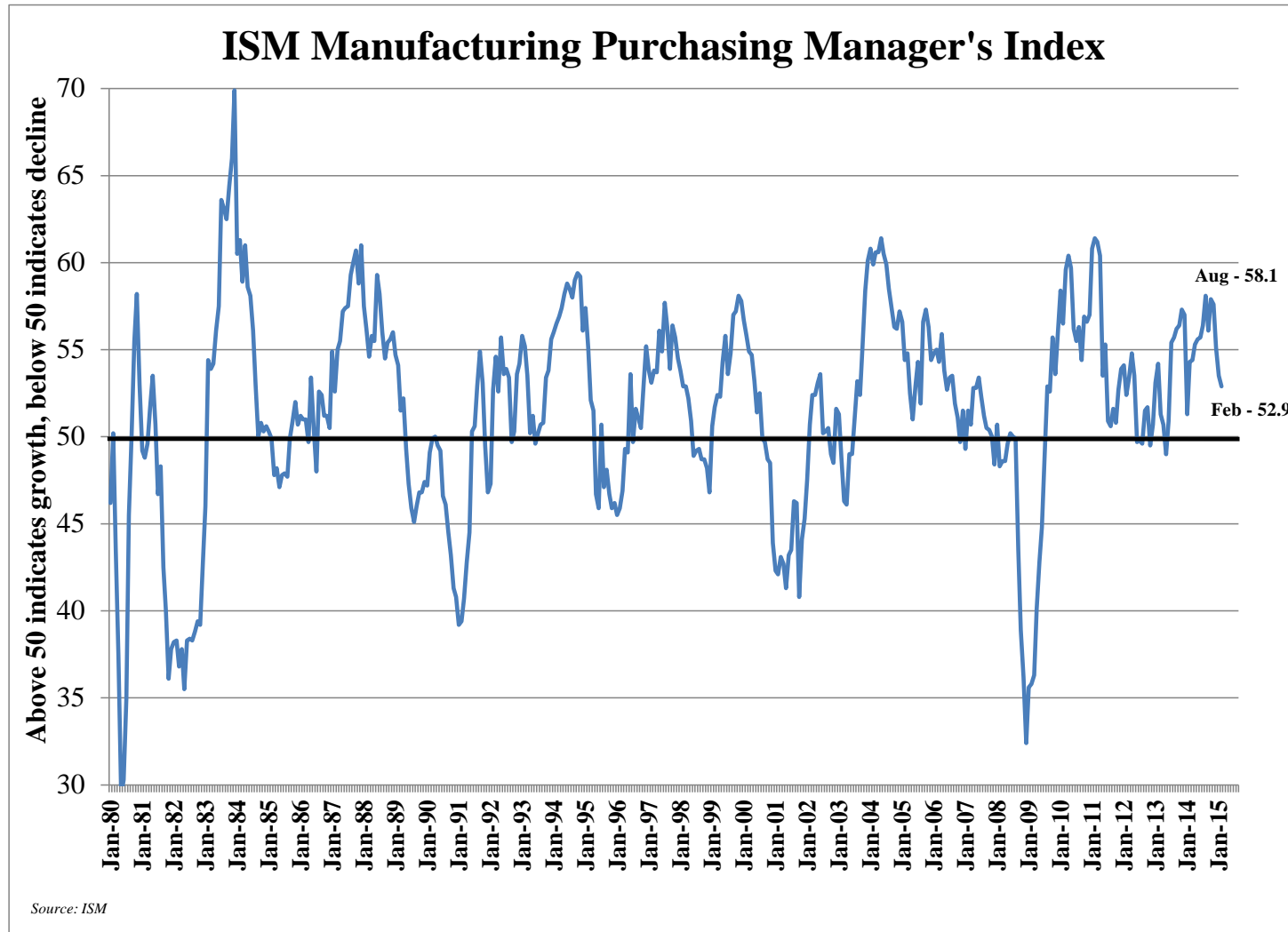
Inventory Levels - Versus Last Year



Macroeconomic Indicators

ISM, Industrial Production, Capacity Utilization, Non-Res Construction
Forecasts, Resi Construction Indicators, Commodity Prices, Heavy Truck &
Automotive Data

ISM Purchasing Manager Index: February Falls To 52.9 from 53.5



ISM Purchasing Manager Index: End Market Ranking

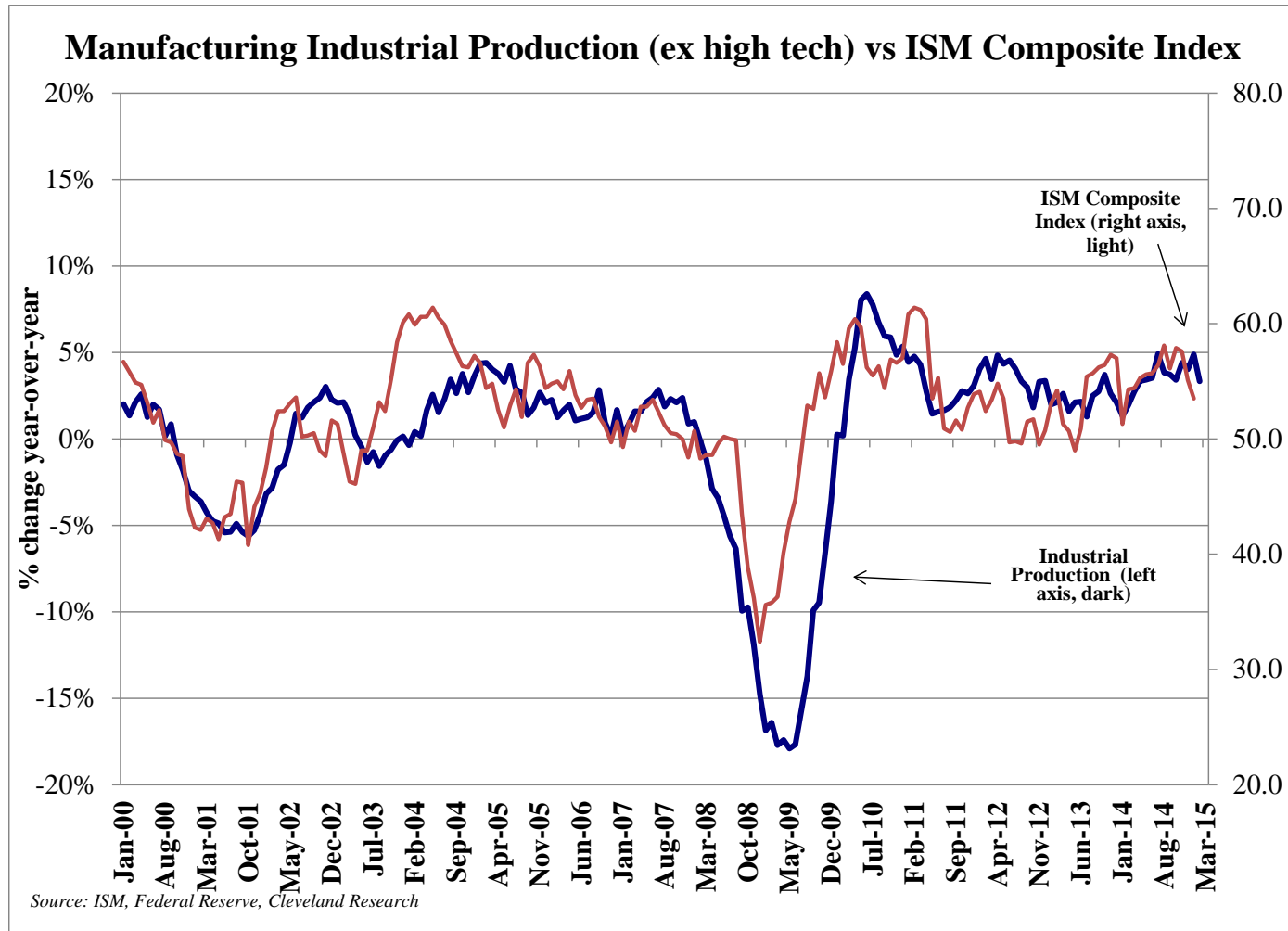
ISM Manufacturing End Market Momentum														
Major End Market (rank order)	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
Paper products	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Printing, related support activities	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Furniture and related products	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Primary metals	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Nonmetallic mineral products	↓	↑	↑	↓	↑	↑	↑	↑	↑	↑	↑	↓	↓	↑
Food, beverage and tobacco products	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Miscellaneous manufacturing	↓	↓	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Fabricated metal products	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Machinery	↑	↑	↑	↑	↑	↑	↑	↑	↓	↑	↑	↓	↑	↑
Transportation equipment	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Electrical equipment, appliances, components	↑	↑	↓	↑	↑	↑	↑	↑	↓	↑	↑	↑	↑	↑
Chemical products	↓	↑	↑	↑	↑	↓	↑	↑	↑	↑	↔	↓	↑	↑
Wood product	↑	↑	↓	↑	↑	↑	↓	↑	↑	↔	↔	↓	↑	↔
Petroleum and coal products	↓	↓	↑	↑	↑	↑	↑	↑	↑	↓	↑	↑	↑	↔
Plastics and rubber products	↑	↑	↑	↑	↑	↓	↑	↑	↓	↑	↑	↓	↔	↔
Computer and electronic products	↓	↔	↑	↑	↑	↑	↑	↑	↑	↑	↔	↓	↑	↓
Apparel, leather and allied products	↓	↓	↓	↑	↑	↑	↑	↑	↑	↑	↓	↔	↔	↓
Textile mills	↑	↑	↑	↑	↔	↓	↑	↓	↑	↑	↑	↑	↓	↓
Statistics	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
% Better	61%	78%	78%	94%	94%	83%	94%	94%	83%	89%	78%	61%	78%	67%
Unchanged	0%	6%	0%	0%	6%	0%	0%	0%	0%	6%	17%	6%	11%	17%
% Worse	39%	17%	22%	6%	0%	17%	6%	6%	17%	6%	6%	33%	11%	17%
Net % of Industries Improving	22%	61%	56%	89%	94%	67%	89%	89%	67%	83%	72%	28%	67%	50%
PMI	51.3	54.3	54.4	55.3	55.6	55.7	56.4	58.1	56.1	57.9	57.6	55.1	53.5	52.9

Source: Institute for Supply Management

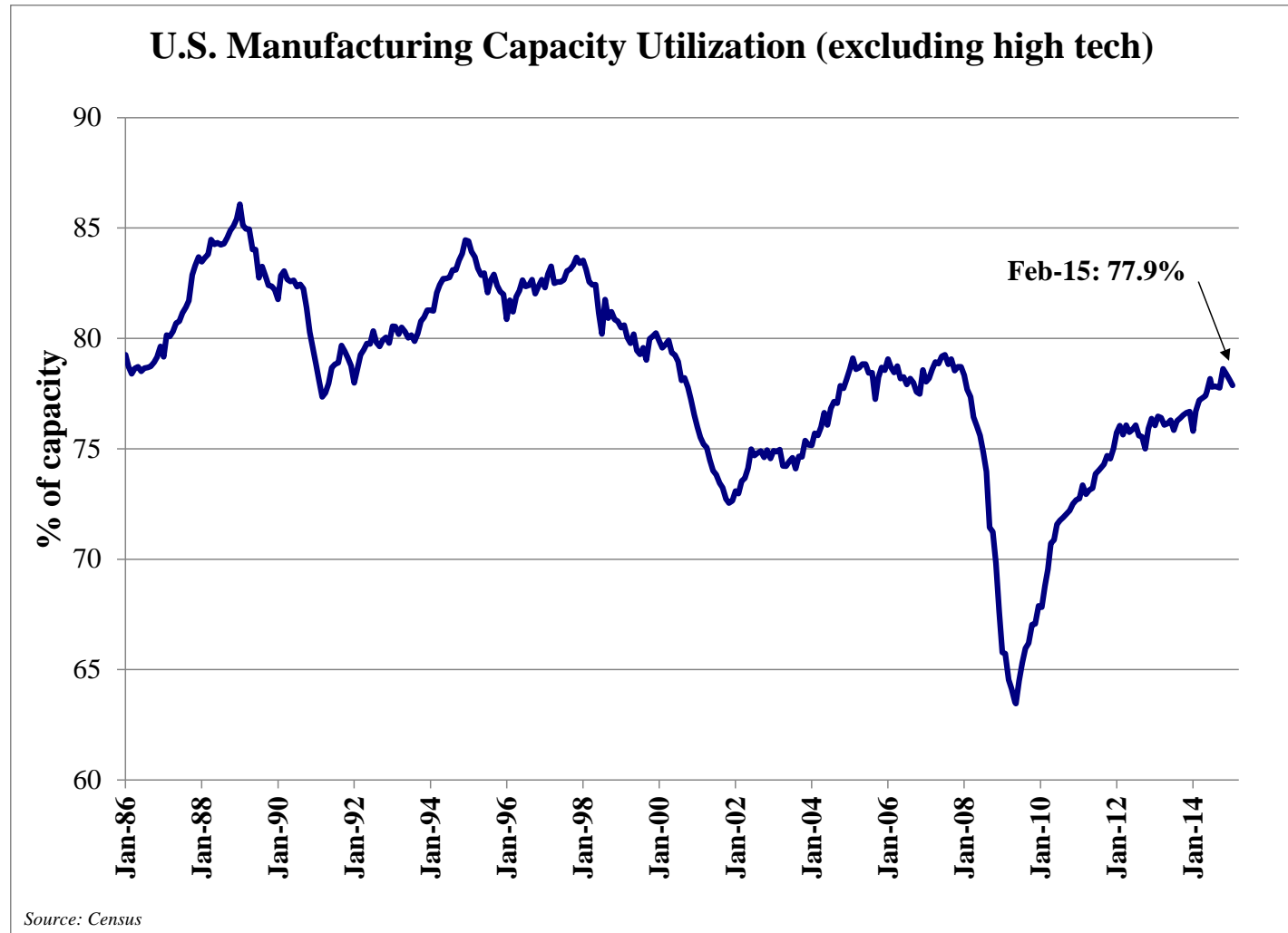
Industrial Production: Growth Beginning to Slow



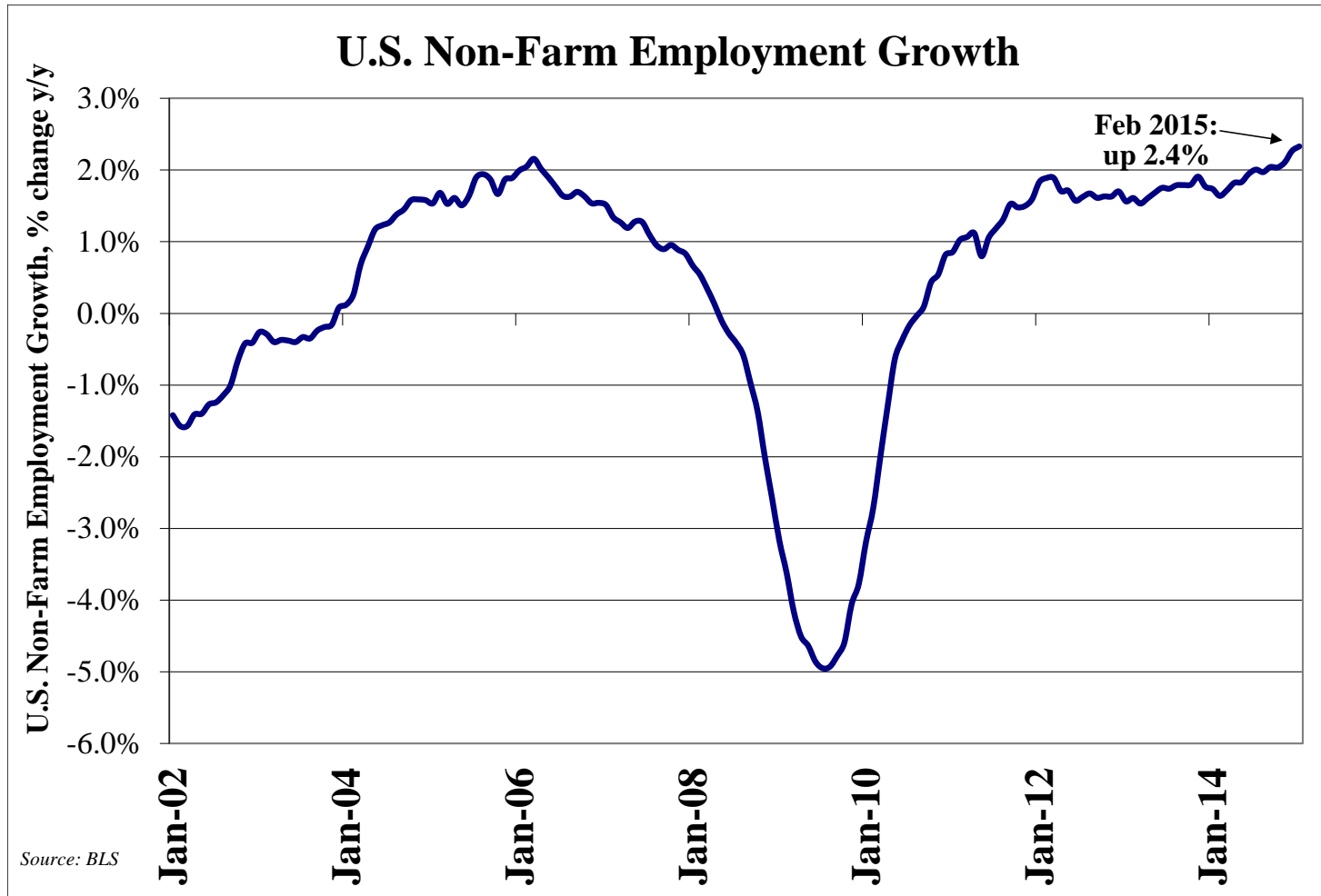
Industrial Production (2): And Likely Follows ISM Lower



Capacity Utilization: Slightly Softer at 78% in Feb



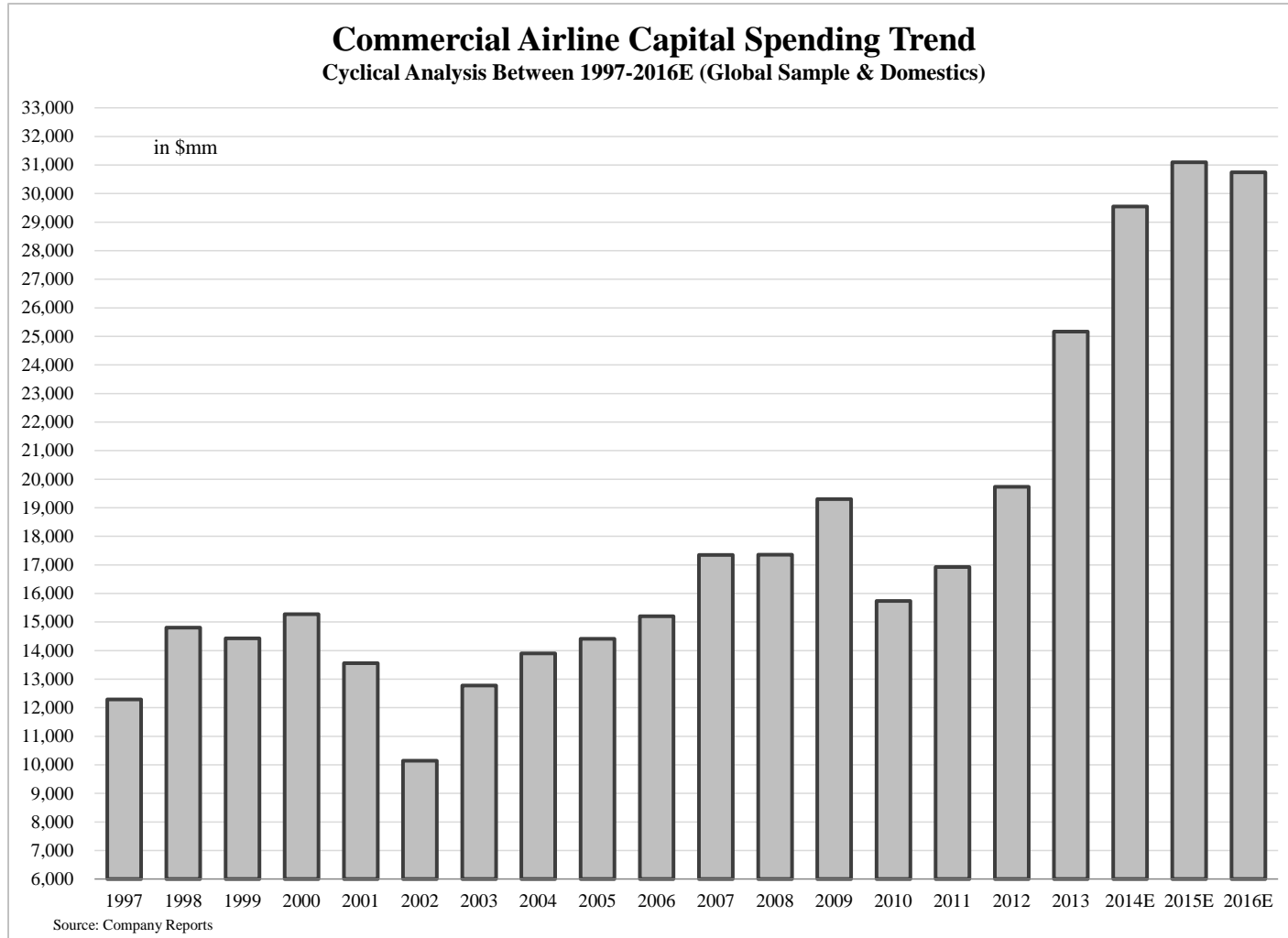
Non-Farm Employment: Up 2.4 % y/y in February



Manufacturing Employment: Up 1.7% in Feb vs 1.9% in Jan



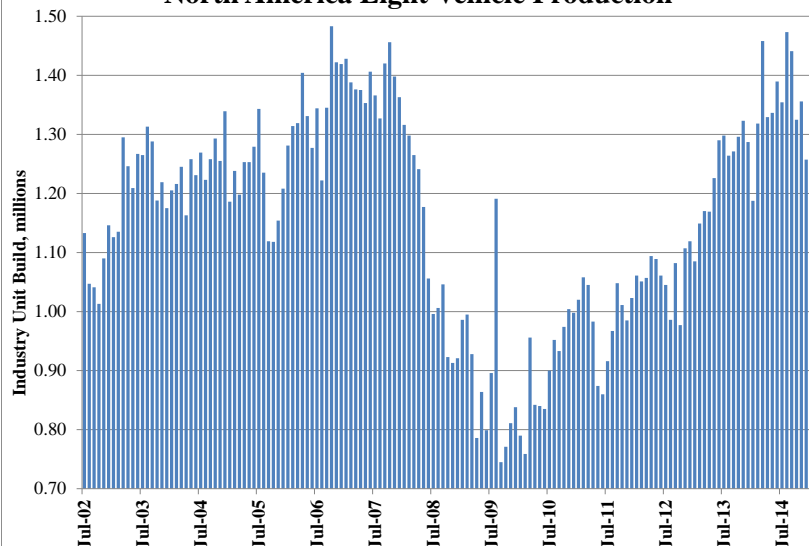
Commercial Aerospace: Airline Capital Spending Plans



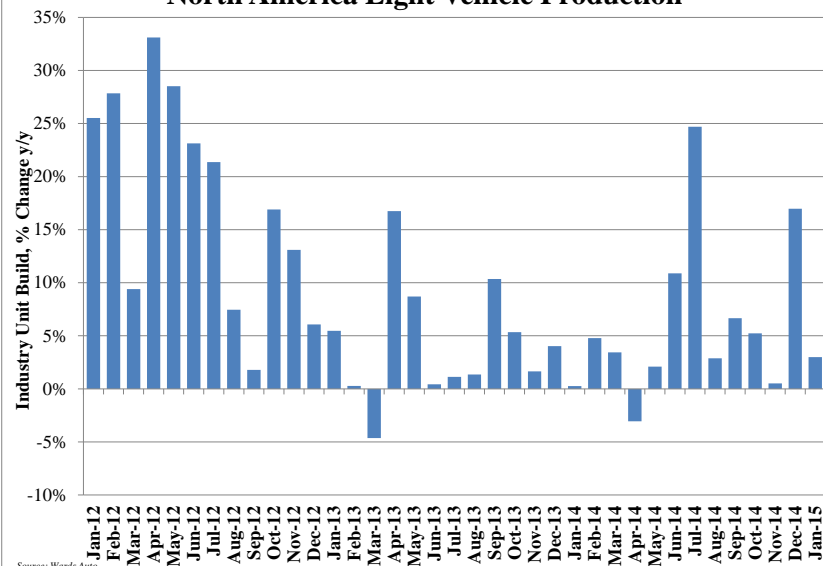
Automotive:

Production Up 3% y/y in January

North America Light Vehicle Production



North America Light Vehicle Production

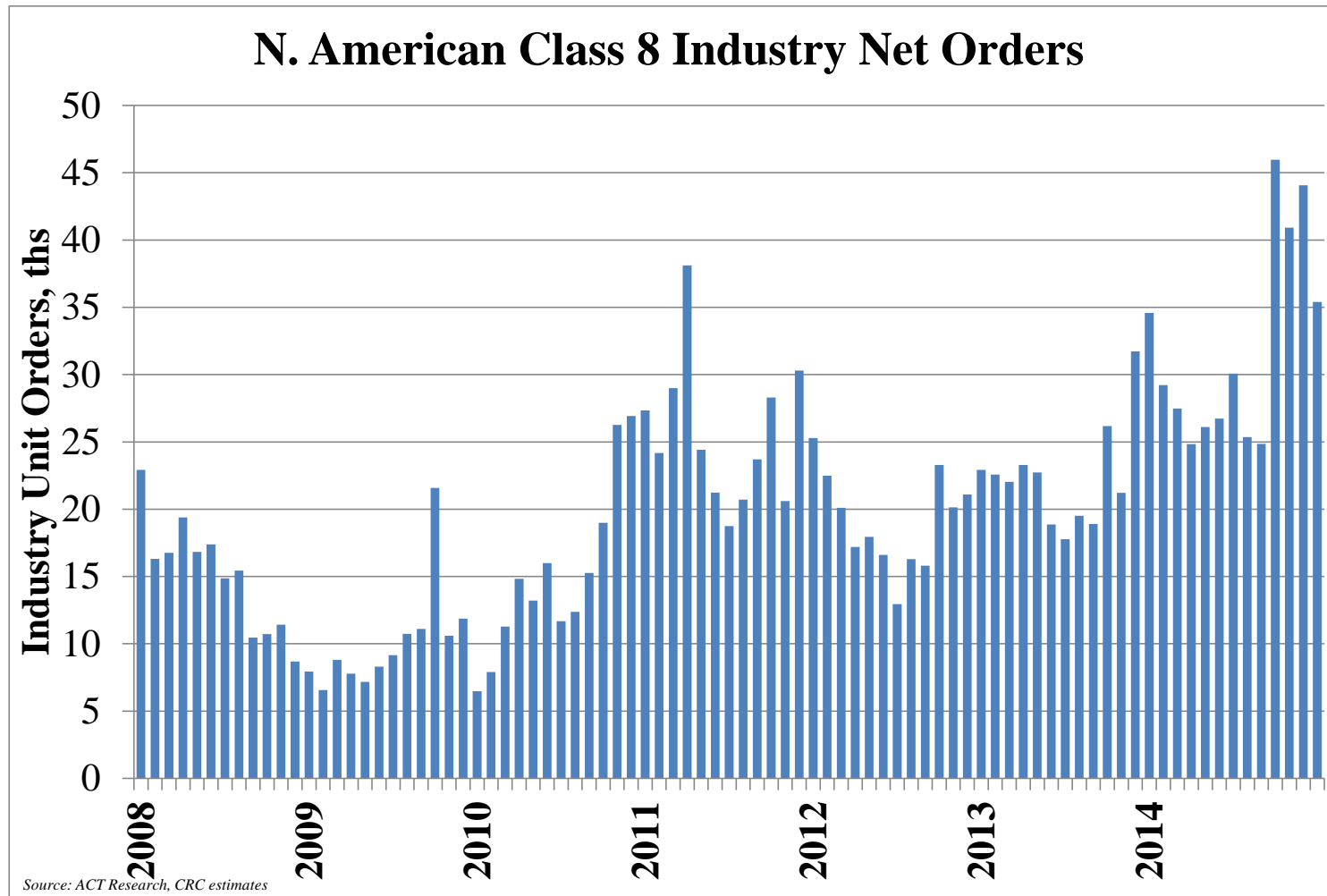


Wards Vehicle Production Outlook

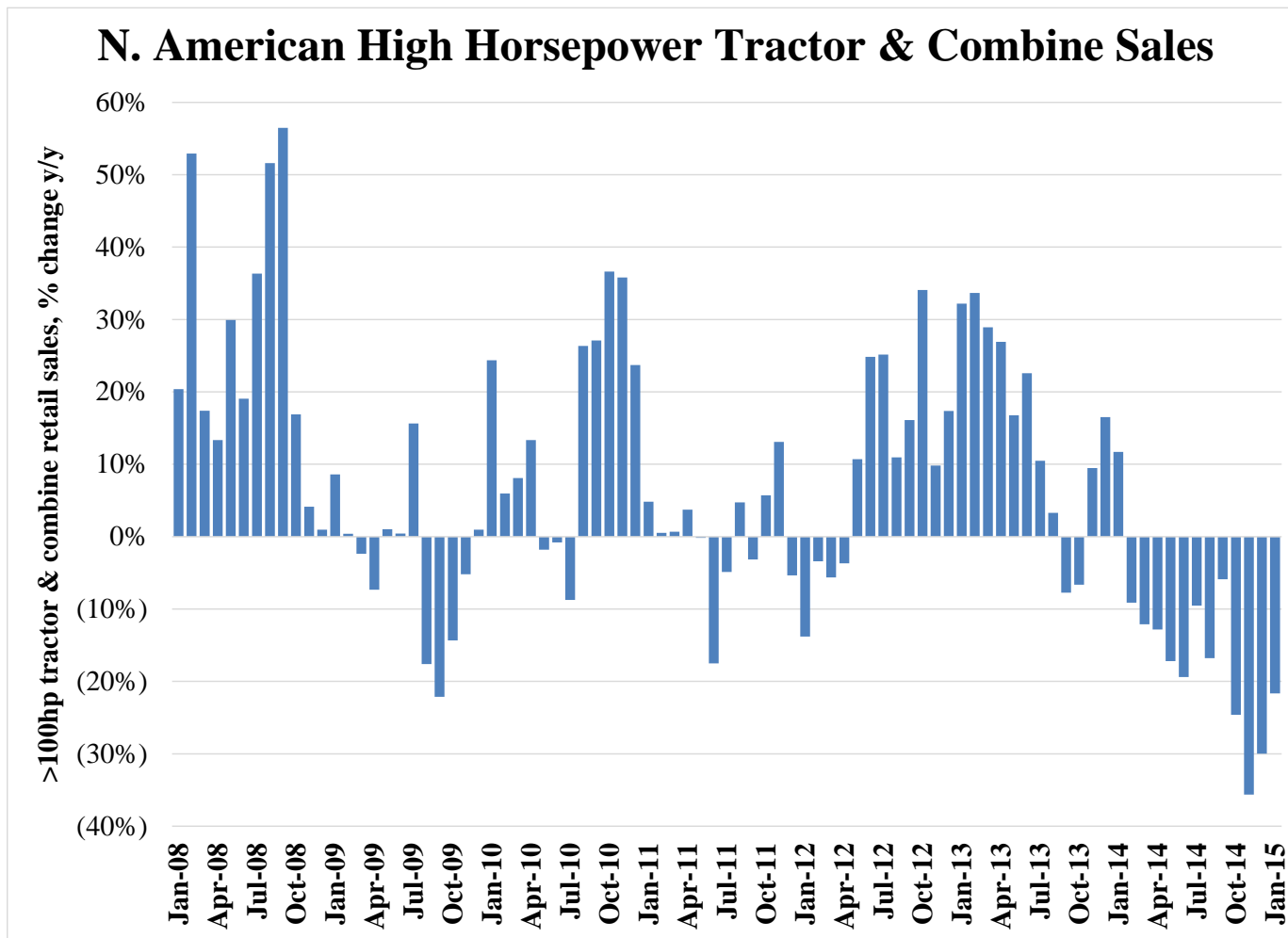
Units thousands	1Q14	2Q14	3Q14	4Q14	1Q15E	2Q15E	3Q15E	4Q15E	2013	2014	2015E	2016E
United States	2,845	2,956	2,798	2,765	2,958	3,040	2,864	2,826	10,816	11,364	11,689	11,993
Canada	561	626	571	624	534	566	590	615	2,370	2,382	2,306	2,255
Mexico	770	816	791	816	816	883	853	844	2,911	3,193	3,396	3,329
Total NAFTA Build	4,177	4,398	4,160	4,205	4,308	4,489	4,307	4,286	16,097	16,939	17,390	17,577
% change y/y												
United States	6%	3%	9%	3%	4%	3%	2%	2%	7%	5%	3%	3%
Canada	-3%	0%	3%	2%	-5%	-9%	3%	-1%	-3%	1%	-3%	-2%
Mexico	6%	8%	8%	17%	6%	8%	8%	3%	2%	10%	6%	-2%
Total NAFTA Build	4%	4%	8%	5%	3%	2%	4%	2%	5%	5%	3%	1%

Source: Wards, Cleveland Research. Jan 22, 2015

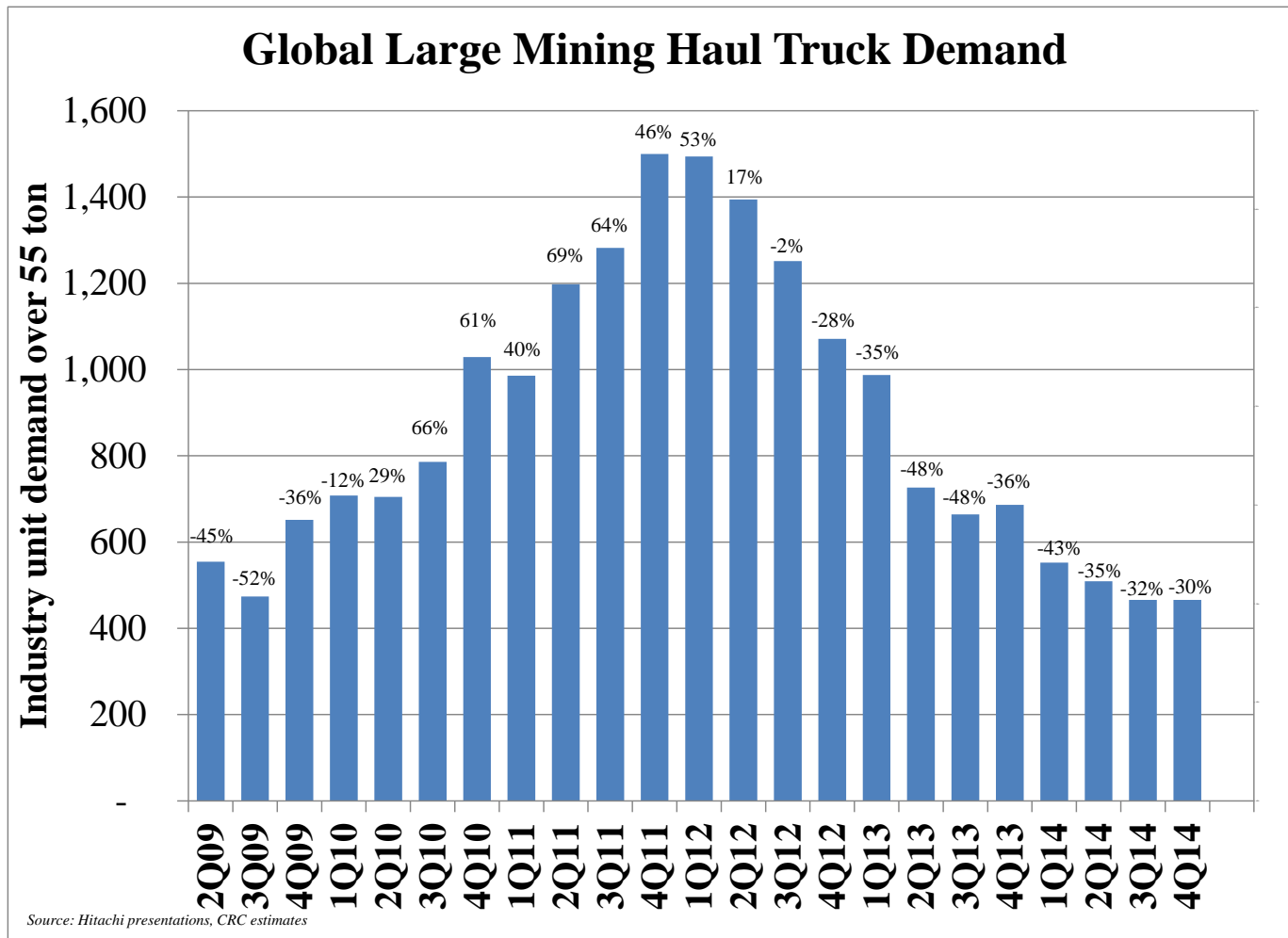
Heavy Duty Truck: Orders Strong, +10% Growth in 2015



Farm Equipment: Sales Forecast ↓ 25-30% in 2015



Global Mining Equipment: +10% Declines Expected in 2015



Industrial Distribution Industry Overview

Industry size, public distributor growth trends, acquisition multiples

Industrial MRO Industry: A ~\$240 Billion Industry

Industrial Supply Industry - Largest Distributors (2013)

**Remaining
Independents - 61%**

Top Ten - 29%

W.W. Grainger 7%

Motion Industries 6%

HD Supply Industrial 3%

The Fastenal Company 3%

McMaster-Carr 2%

Wesco Industrial 2%

Applied Industrial 2%

MSC Industrial Supply 2%

Sonepar Ind/Hagemeyer 2%

Airgas Industrial 1%

Next 25 - 10%

Source: Company reports, Cleveland Research estimates

Publicly Traded Distributor

Organic Sales Trends

Industrial Distributor Organic Sales Growth Rates																
Organic Sales Growth %	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	2008	2009	2010	2011	2012	2013	14YTD	08-'14 Avg
Fastenal (FAST)	6%	5%	6%	8%	9%	12%	15%	16%	14%	-17%	18%	22%	14%	6%	13%	10%
MSC Industrial (MSM)	0%	0%	0%	5%	4%	7%	8%	8%	5%	-19%	24%	15%	9%	1%	7%	6%
Grainger (GWW)	6%	6%	4%	5%	5%	4%	6%	8%	6%	-9%	10%	9%	9%	5%	6%	5%
Motion Industries (GPC)	-2%	-1%	-3%	2%	3%	4%	8%	9%	0%	-20%	16%	15%	7%	-1%	6%	3%
WESCO Intl. (WCC)	-2%	-1%	1%	2%	2%	6%	7%	8%	1%	-24%	8%	14%	5%	0%	6%	1%
Kaman Industrial Tech. (KAMN)	-6%	-3%	-2%	4%	2%	3%	2%	na	5%	-18%	15%	7%	0%	-2%	2%	1%
Applied Industrial Tech. (AIT)	-1%	-2%	-5%	-1%	0%	-1%	3%	5%	-4%	-20%	16%	9%	3%	-2%	2%	1%
HD Supply (HDS)	11%	8%	7%	7%	6%	9%	10%	na	-15%	-23%	2%	9%	11%	8%	8%	0%
Interline Brands (IBI)	4%	2%	3%	6%	3%	5%	5%	na	-4%	-12%	-1%	3%	5%	4%	4%	0%
Barnes Distribution (B)*	-6%	-3%	-5%	3%	-1%	-1%	2%	3%	-8%	-20%	6%	9%	-1%	-3%	1%	-2%
Lawson Products (LAWS)	-4%	-2%	-1%	2%	3%	6%	9%	7%	-6%	-22%	5%	-1%	-6%	-1%	6%	-3%
Group Average	1%	1%	0%	4%	3%	5%	7%	8%	0%	-19%	11%	10%	5%	1%	6%	1%
CRC Private Industrial Distribut	0%	0%	0%	4%	4%	7%	9%	9%	3%	-24%	14%	14%	7%	1%	7%	3%

Source: Company reports, CRC estimates. Adjusted for currency, acquisition, selling days

Industrial Distributor Deals: Purchase Price Multiples

Select Industrial Distributor Acquisition History and Purchase Multiples

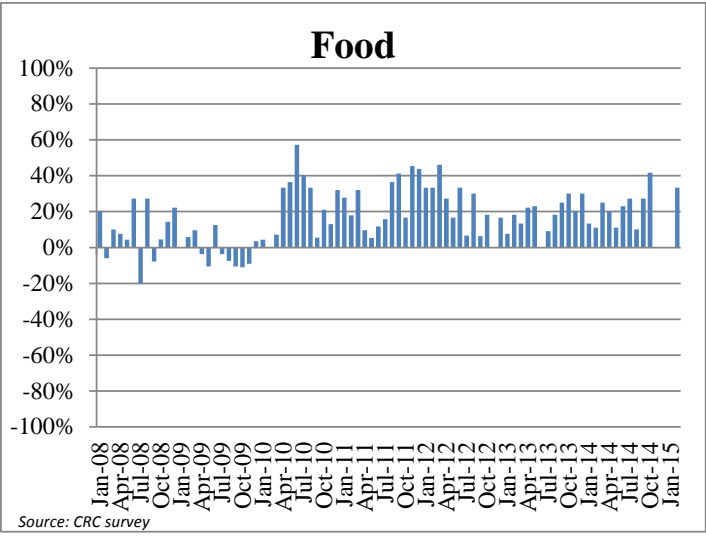
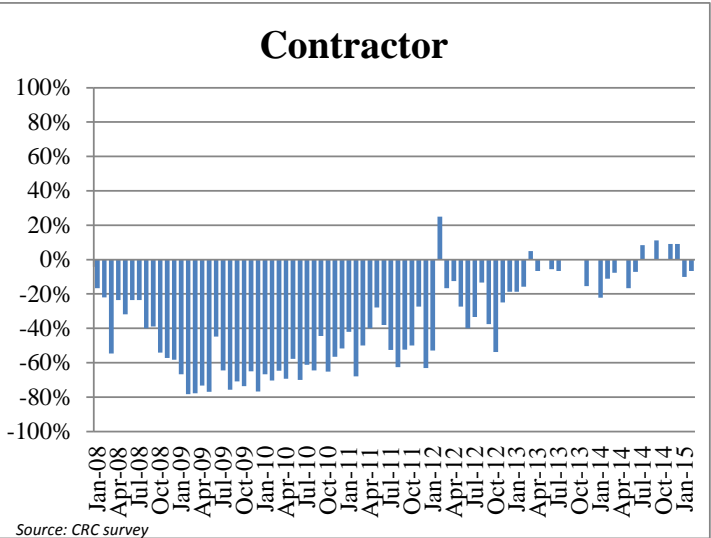
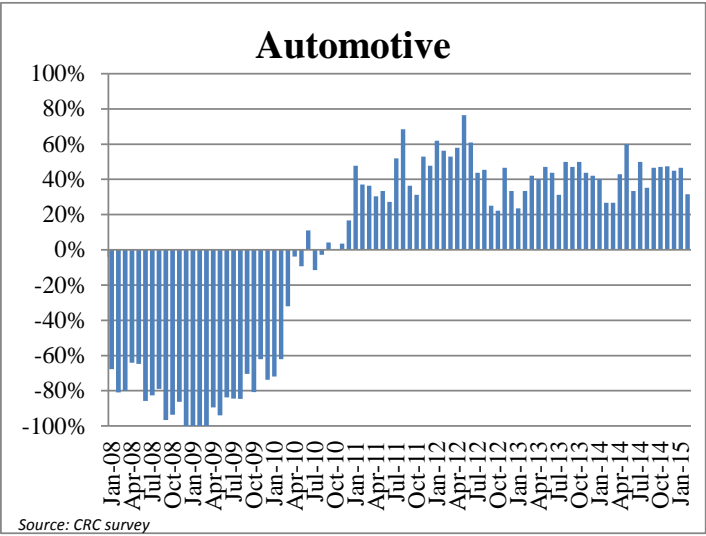
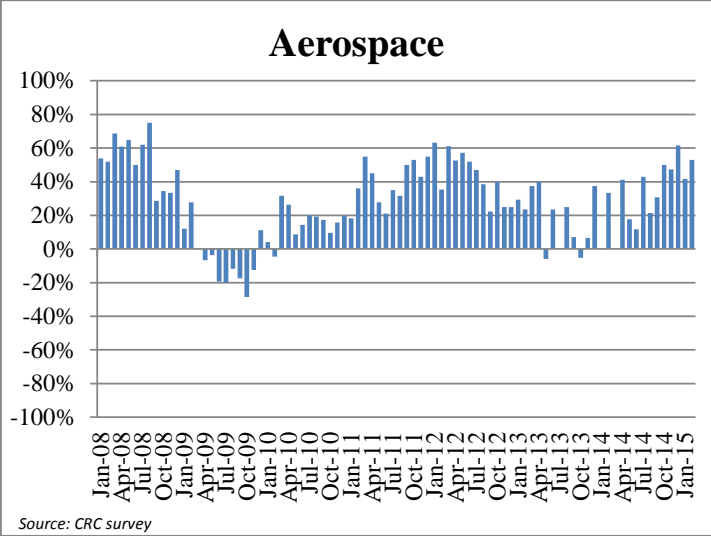
Acquirer	Target Company	Date	Annual Sales	EBITDA	Price paid	EV / EBITDA	Price / Sales	EBITDA Margin
DXP Enterprises	C. W. Rod Tool	Dec-11	\$57	\$7	\$43	6.2x	0.8x	12.3%
DXP Enterprises	Mid-Continent Supply	Feb-12	\$10	\$1	\$4	4.4x	0.4x	8.5%
Shale-Inland Holding LLC	HD Supply IPVF	Mar-12	\$699	\$47	\$469	10.0x	0.7x	6.7%
GS Capital Partners & P2 Capi	Interline Brands	May-12	\$1,293	\$109	\$1,071	9.8x	0.8x	8.4%
HD Supply	Peachtree Business Products LLC	Jun-12	\$69		\$196		2.8x	
WESCO	EECOL	Oct-12	\$900	\$116	\$1,160	10.0x	1.3x	12.9%
Interline Brands	JanPak	Dec-12	\$232	\$9	\$83	9.4x	0.4x	3.8%
Grainger	Techni-Tool	Dec-12	\$88		\$40		0.5x	
Airgas	Four regional distributors (FL, MS, AL, NJ)	Dec-12	\$20					
Applied Industrial Technologie	Parts Associates	Dec-12	\$25					
Airgas	Metroplex Service & Excel Welding/Industrial	Jan-13	\$30					
MSC Industrial Direct	Barnes Distribution N. America	Feb-13	\$300	\$37	\$549	14.8x	1.8x	12.3%
DXP Enterprises	Tucker Tool Company	May-13	\$8	\$1	\$5	5.0x	0.6x	12.5%
Kaman Industrial Tech	Northwest Hose & Fittings	May-13	\$8		\$5		0.6x	
MRC Global	Flow Control	Jun-13	\$28		\$24		0.9x	
DXP Enterprises	Alaska Pump & Supply	Jul-13	\$16	\$2	\$13	5.4x	0.8x	14.9%
Kaman Industrial Tech	Ohio Gear & Transmission	Jul-13	\$9		\$8		0.9x	
Kaman Industrial Tech	Western Fluid Components	Aug-13	\$11		\$10		0.9x	
Grainger	E&R Industrial Sales	Aug-13	\$180		\$116		0.6x	
Grainger	Safety Solutions	Dec-13	\$63		\$30		0.5x	
DXP Enterprises	B27 LLC	Dec-13	\$198	\$35	\$285	8.1x	1.4x	17.7%
Applied Industrial Technologie	Texas Oilpatch Services	Jan-14	\$14	\$3	\$17	5.0x	1.3x	25.0%
WESCO	LaPrairie, Inc	Feb-14	\$30	\$4.0	\$34	8.4x	1.1x	13.5%
WESCO	Hazmasters	Mar-14	\$80	\$7	\$57	8.4x	0.7x	8.5%
Kaman	BW Rodgers	Apr-14	\$100	\$9	\$72	8.0x	0.7x	9.0%
WESCO	Hi Line Utility Supply	May-14	\$30	\$4.1	\$42	10.3x	1.4x	13.7%
Applied Industrial Technologie	Reliance Industrial Products	May-14	\$135	\$22	\$189	8.8x	1.4x	15.9%
Applied Industrial Technologie	Knox Oil Field Supply	May-14	\$100	\$14	\$133	9.7x	1.3x	13.7%
Applied Industrial Technologie	Rodamientos y Derivados, Great Southern Bear	Jul-14	\$20	\$2	\$13	7.7x	0.6x	8.2%
SP Richards (GPC)	Impact Products LLC	Jun-14	\$85		\$96		1.1x	
Applied Industrial Technologie	Ira Pump & Supply	Nov-14	\$56	na	na	4-6x	na	na
Global Industrial (SYX)	Plant Equipment Group (TAKKT)	Jan-15	\$104	\$2	\$25	nm	0.2x	1.9%
Mean Since 1997			\$392	\$43	\$293	8.6x	0.8x	9.3%
Median Since 1997			\$68	\$11	\$56	8.7x	0.7x	8.5%

Source: Company reports, CRC estimates. Ratios on a last twelve months reported basis. List does not include non-disclosed acquisitions.

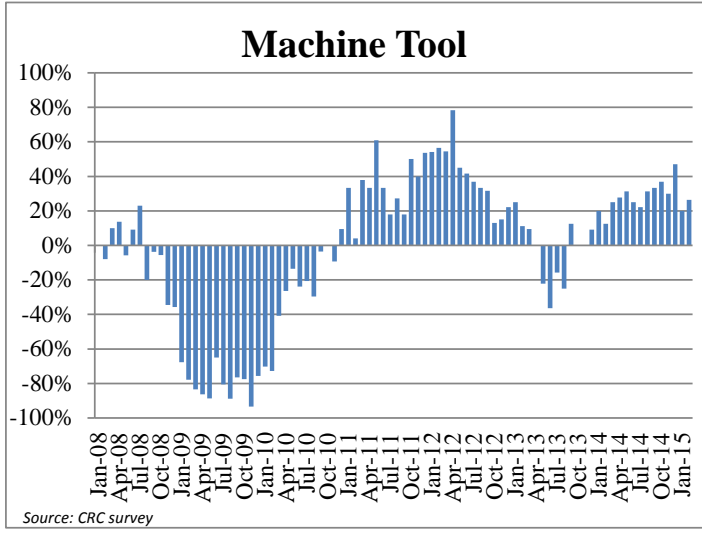
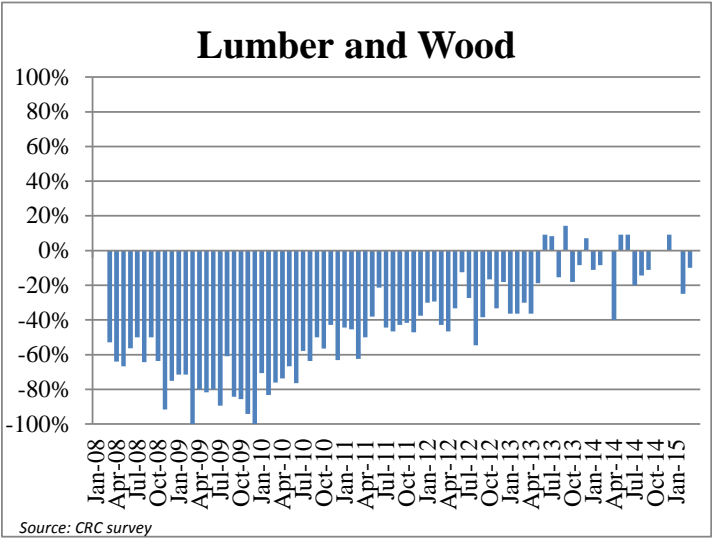
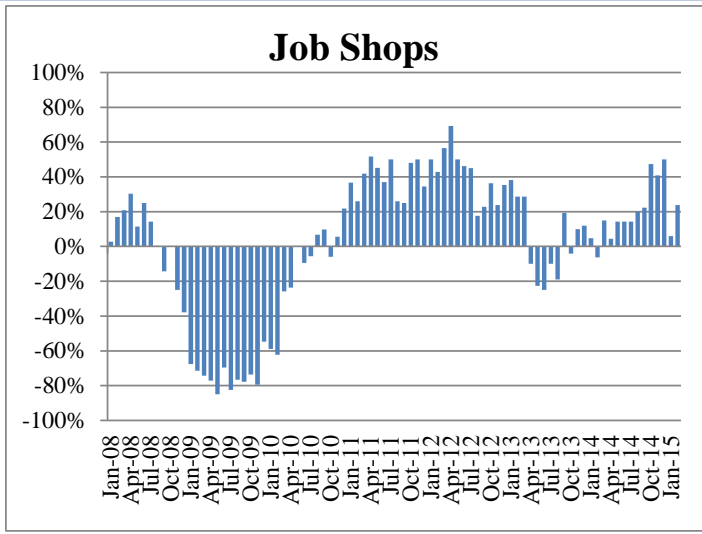
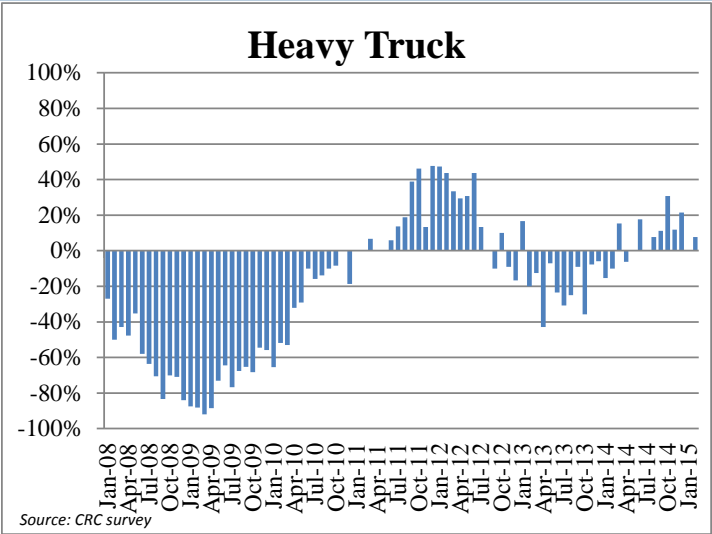
Manufacturing Industry End Market Data

Aerospace, Automotive, Heavy Truck, Farm Equipment, and Mining Equipment

Industrial Distributor Survey: End Market Trends

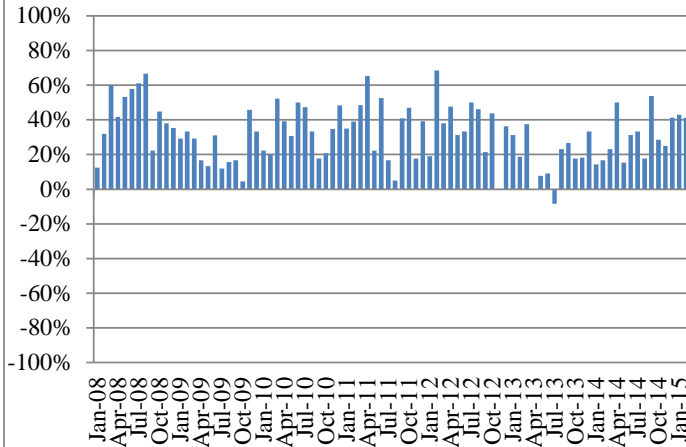


Industrial Distributor Survey: End Market Trends



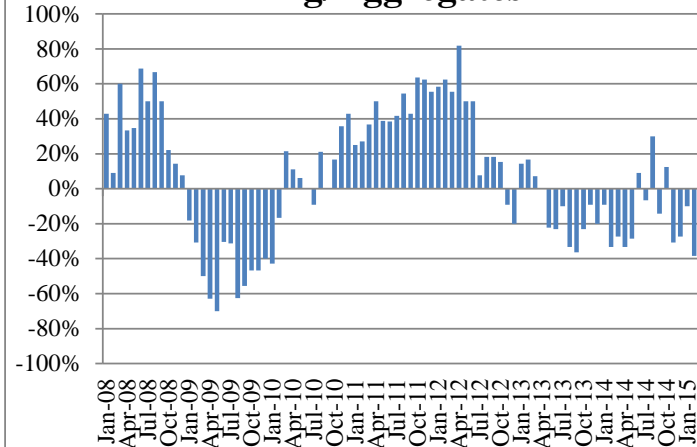
Industrial Distributor Survey: End Market Trends

Medical



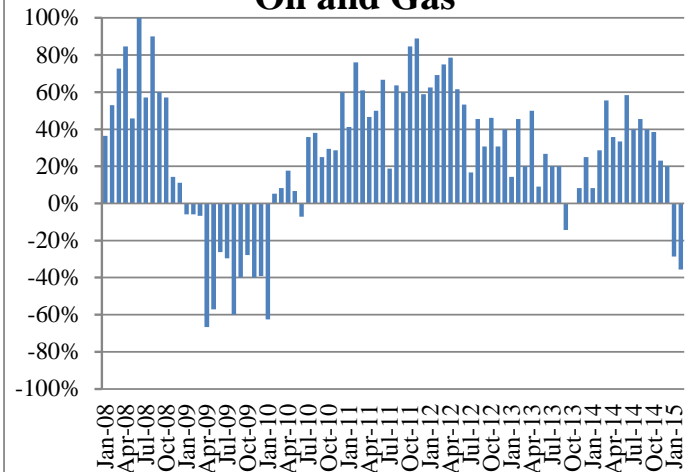
Source: CRC survey

Mining/Aggregates



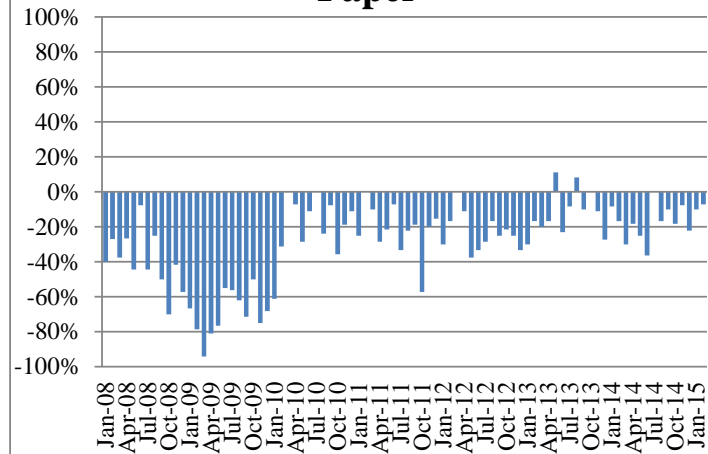
Source: CRC survey

Oil and Gas



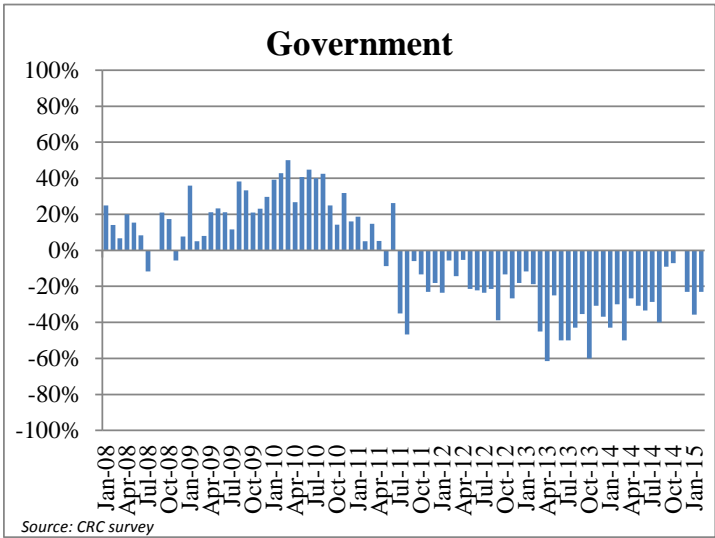
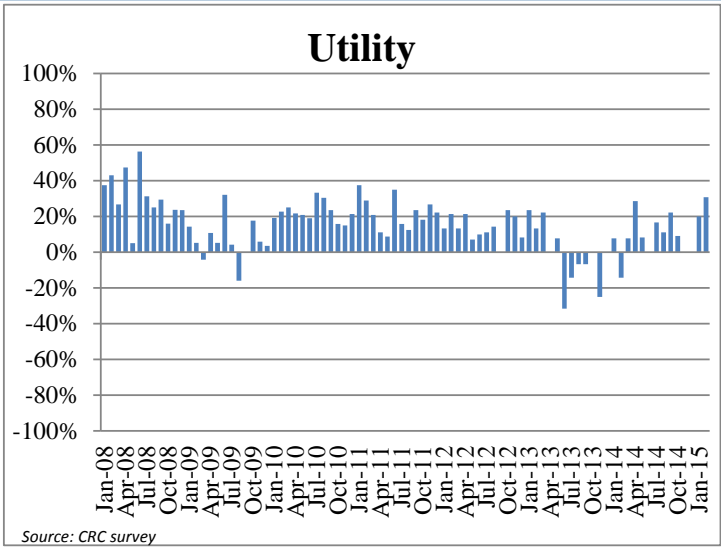
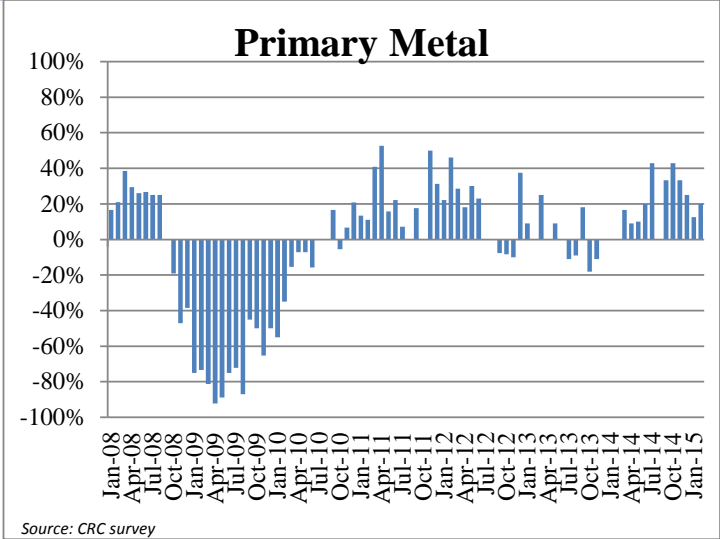
Source: CRC survey

Paper



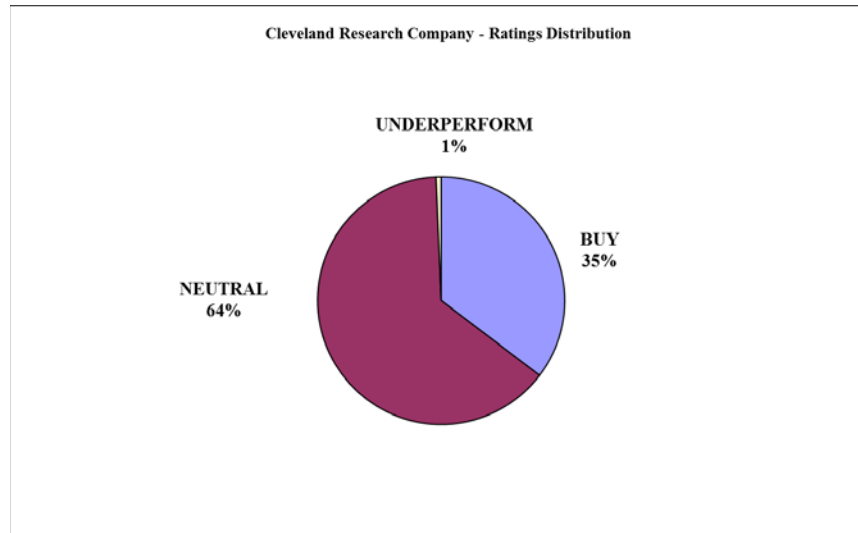
Source: CRC survey

Industrial Distributor Survey: End Market Trends



Disclosures

Important disclosures can be found at: www.cleveland-research.com/clients/disclosures



Disclosures

Buy: The stock's return is expected to exceed the market due to superior fundamentals and positive catalysts.

Underperform: The stock's total return is expected to underperform the market due to weak fundamentals and a lack of catalysts.

Neutral: The stock is expected to be in line with the market due to full valuation and/or a lack of catalysts.

Valuation and Risk: Price targets are established under various valuation methods including P/E, P/S, EV/EBITDA on financial estimates based on forward earnings. Price targets are not established for every stock. The price target's effectiveness may be affected by various outside factors. Risk assessments can be found in the most recent research on these stocks.

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