



CALABASAS CAPITAL

Safety Products & Services M&A Outlook Q2 2015

About Us

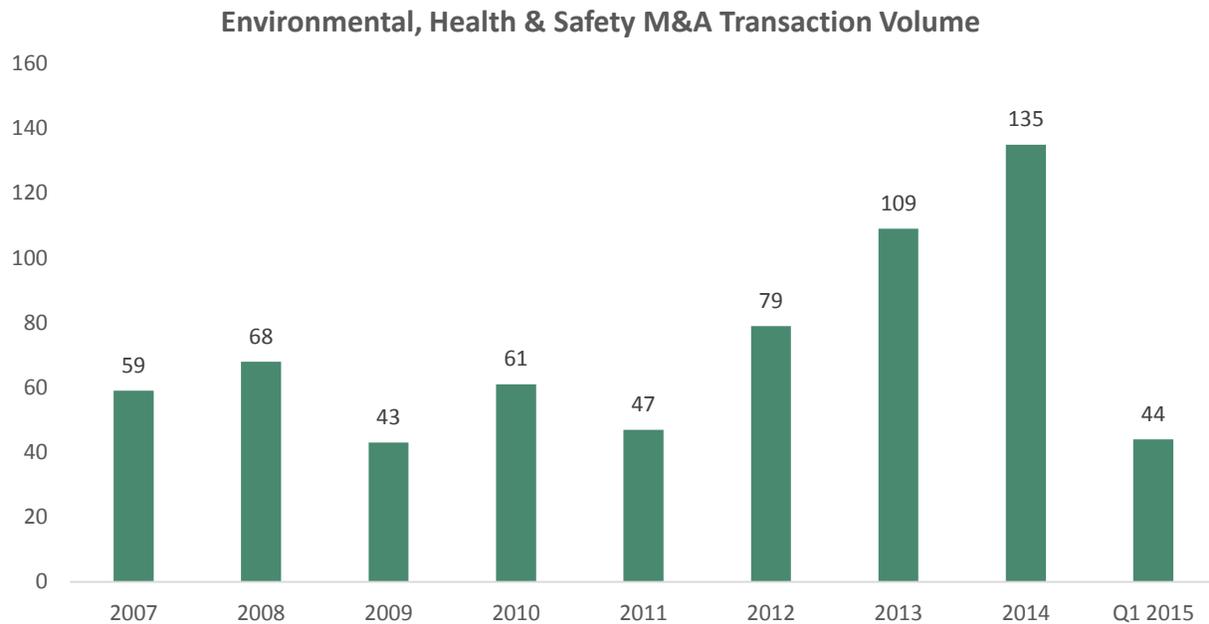
Calabasas Capital is a boutique investment banking firm focused on serving lower middle-market privately-held companies. We specialize in representing and advising businesses on sell-side and buy-side mergers and acquisitions and we raise private equity and debt capital.

Market Overview

- The safety sector is composed of a wide range of products and services, including:
 - fall protection
 - gas detection
 - personal protective equipment
 - safety training
 - OSHA reporting
 - Risk management services
- Industry “borders” are vague and many companies are diversified and becoming more so. Their offerings can cross into industrial supplies, workplace supplies like uniforms and first aid kits, training, publishing, and HR outsourcing services.
- While the industry is diverse in its offering, safety companies share in the fact that they all benefit from two common themes:
 - increasing safety regulations, and
 - Rising costs and financial liability associated with worker safety.
- These themes support a long-term growth outlook for Safety. While the industry is not immune from recessionary climates, these recurring themes have helped the sector to perform well over time.

M&A Trends

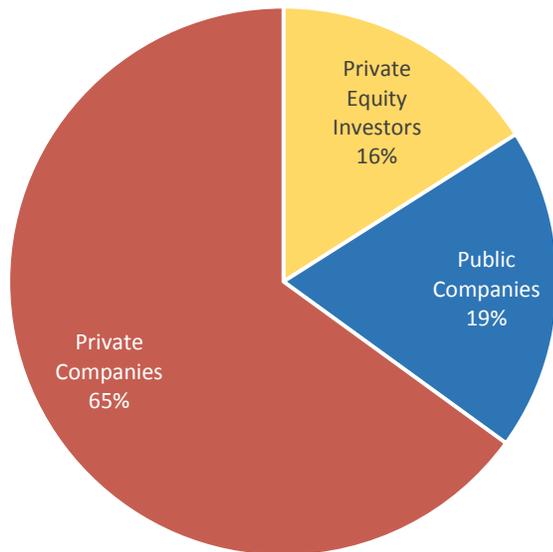
- There has been robust M&A activity in the space, with interest from both corporate and private equity group buyers alike.



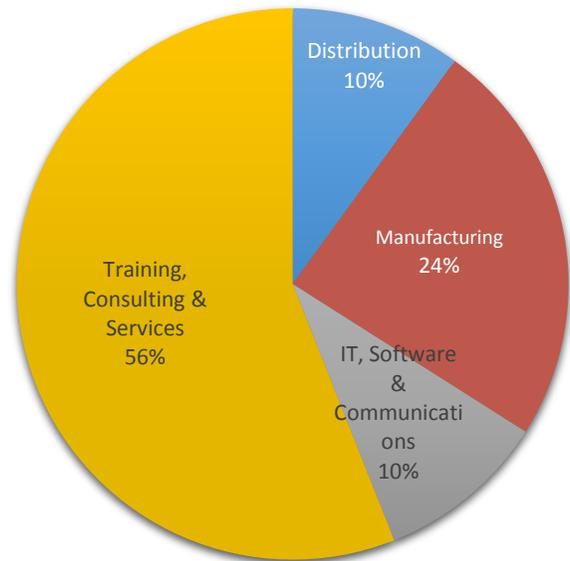
Source: Capital IQ, Capstone Partners market analysis Q2 2015

- We believe this trend will continue based on the fact that the industry remains highly fragmented and the business is considered a good growth opportunity.
- The most active sectors in the safety industry have been:
 - Equipment
 - Manufacturing
 - Training/consulting/other services
 - Distribution
- Buyers in this space tend to be making acquisitions that:
 - Expand or improve the quality of their product/service offering
 - Target a specific end-market, such as energy or medical
 - Expand their customer base and cross-selling opportunities
 - Fill gaps in their technology or marketing capabilities

Transactions by Buyer Type



Environmental, Health & Safety Transactions by Business Type



Source: Capital IQ, Capstone Partners market analysis Q2 2015

Drivers of Consolidation

A wide range of highly targeted and strategic acquisitions are occurring in the industry. Drivers of such transactions include a healthy economy, an encouraging M&A climate, increasing safety regulations, and recurring revenues driven by need-based purchases.

Increasing safety regulations

The safety products & services industry is a heavily regulated industry with regulations and laws getting stricter under Obama administration. The number of inspections and the size of enforcement actions are increasing under the dictation of OSHA. Significant resources have been allocated to the proposal of new standards and regulations, which are getting tough on workplace safety. The Safety Products & Services industry has been fueled by such increase on the standard since spending on the safety products and services is non-discretionary and generates recurring purchase and revenue.

Rising Worker Safety Costs and Liability

The benefits of investing in safety products and services far outweigh the inherent costs of workplace risks. An unsafe workplace can be costly as direct costs such as costs associated with workplace injuries, medical expenses and worker's compensation payments could sometimes be unbearable for a company, not to mention the indirect cost such as personnel replacement fee and costs associated with loss of employee morale. As so, there is a high demand for safety products and services. Studies show that every \$1 invested in safety products and services, \$4 to \$6 might be saved on the costs caused by a possible accident due to an unsafe workplace.¹

Improving Economy

The safety products and service industry has been driven by an improving economy and low unemployment rate. In an improving economy with rising employments, companies are much more motivated and able to expand their safety budgets so as to try avoiding the cost associated with the surging number of possible incidents inherent with the increased employments. According to statistics released by bureaus, U.S. GDP rises 2.3% in the second quarter and unemployment rate has dropped to 5.3%, which is close to the pre-crisis level. Safety products and services industry is expected to grow under such encouraging climate.

Market Fragmentation & PE interests

The industry is highly fragmented, especially in the distributor and service provider segment. Thousands of companies that specialize in a particular type of product or services made up the industry and such fragmentation caught attentions of private equity firms as chances exist that good acquisition targets are highly available. All segments are attracting the interest of buyers who demonstrated high interest in the industry's growth and profitability, which are results of undergoing expansions of safety programs in many large corporations.

¹ Capstone Partners, *Safety Products & Services, 2011*

Selected Notable Transactions

- On March 2, 2015, **Harsco Corporation** announced that it acquired **Protran Technology**, a New Jersey-based leader in the design and production of safety systems for transportation and industrial applications. Terms of the deal were not disclosed.
- On March 6, 2015, **Scott Safety**, a Tyco business, purchased **Industrial Safety Technologies**, a leader in gas and flame detection from **Battery Ventures** for \$329.5 million in cash.
- On February 13, 2015, **Northern Safety Co., Inc.** announced that it completed the acquisition of **Southland Industrial Supply**, which engages in the wholesale distribution of occupational health and safety supplies in the United States and internationally.
- In January 2015, **CrossBridge Compliance, LLC**, a Texas-based leading regional provider of safety and training services for the oil and gas pipeline, announced its acquisition of **C&R Compliance, LLC**. C&R provides industrial safety assessment, consulting, training and other services to business.
- In January 2015, **Bunzl Plc.**, a distribution and outsourcing Group, announced its acquisition of **Blake H. Brown, Inc.(BHB)** BHB manufactures and supplies personal protection solutions for welders and other industrial workers.
- In December 2014, **Court Square Capital Partners** completed its purchase of **DISA Global Solutions**, a company that provides workplace safety and compliance services to safety-sensitive employers in the United States and internationally.
- In December 2014, **Leonard Green & Partners, L.P.**, a LA-based private equity firm, agreed to acquire **Packers Sanitation Services Inc.(PSSI)** for close to \$1 billion. PSSI provides sanitation procedures, training & assistance and safety management to the food processing industry.
- On Nov. 21, 2014, **Insight Venture Partners** acquired **TriTech Software System Inc.**, a company that develops cloud-based and on-premise public safety solutions for public safety, law, fire and emergency medical services.
- On Nov. 20, 2014, **Audax Group, Inc.** announced that it acquired **Checkers Industrial Safety Products**(“Checkers”) from **Tonka Bay Equity Partners**. Checkers is a leading

provider of branded industrial safety products to vehicular safety, asset protection and workplace safety.

- On Nov. 4, 2014, **Behavioral Science Technology, Inc.** acquired **Regulatory Consultants, Inc.**, a company that provides Web-based safety system applications for agribusiness, food processing and other industries.
- On Oct. 3, 2014, **Viscot Medical, LLC** announced its acquisition of the business of **OP-marks, Inc.**, which designs and manufactures error prevention surgical products that address the need for patient safety.
- On August 7, 2014, **MSDSonline**, a leading provider of cloud-based compliance solutions, announced the acquisition of Canada-based **Knowledge Management Innovations**, which provides web-based software solutions for environment, health, safety and sustainability.
- On August 5, 2014, **Premier, Inc.** reached a definitive agreement to acquire **TheraDoc**, which develops and implements electronic surveillance systems for injury detection and prevention.
- On August 5, 2014, **Capital Safety** announced its acquisition of **Fall Protection Group Inc.**, a Calgary, Alberta based company that develops fall protection training and education courses to students in the US and internationally.

Calabasas Capital

Our comprehensive services include:

- Sell-Side and Buy-Side Mergers & Acquisitions Advisory
- Private Equity & Debt Capital Raising
- Acquisition Financing
- Financial Restructuring
- Sales of non-core assets/divisions of larger public and private companies

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