



FLUID HANDLING INDUSTRY MARKET REPORT M&A TRANSACTIONS SECOND HALF - 2016

Q3 and Q4 2016 Market Report

February 2017

This is a report on merger and acquisition transactions announced in the third and fourth quarters of 2016 for manufacturers, distributors or service providers for dynamic (rotating or reciprocating) fluid handling equipment and related products - except drivers – for industrial markets. The report is compiled by Global Equity Consulting, LLC and City Capital Advisors.

Global Equity Consulting and City Capital Advisors provide merger and acquisition and strategic advisory services including buy-side and sell-side representation, debt and equity capital formation, leveraged buyouts and ownership recapitalizations.

Industry Deal Activity Level

The deal volume in 2016 returned to a more normal level after two years of extraordinary levels of activity. There were 48 transactions in 2016, which is down substantially from the high levels of 2014 and 2015 but at about the same levels we saw in 2012 and 2013. The industry transaction activity in the second half of 2016 declined 16% from the second half of 2015 with 31 announced transactions in the second half of 2016 compared to 37 announced transactions in the second half of 2015. However, sequentially the deal activity increased substantially, almost double, in the second half of 2016 with 31 transactions compared to only 17 in the first half 2016. The trends in deal activity in the fluid handling industry were consistent with the trends in the broader M&A market with a pick-up in activity in second half of the year but a slow-down in activity for the full year vs. 2015. However, despite the reduction in deal volume the valuations remained strong as strategic buyers looked to enhance their growth opportunities through acquisition and private equity firms looked to put their record level of dry powder to work. There was a noticeable increase in transactions targeting distribution and service businesses, which accounted for 52% of deal activity in 2016 vs. 37% in 2015. This may be a reflection of the consolidation that has taken place in the manufacturing sector of the industry, while to date there has been significantly less consolidation in the distribution and service sectors.

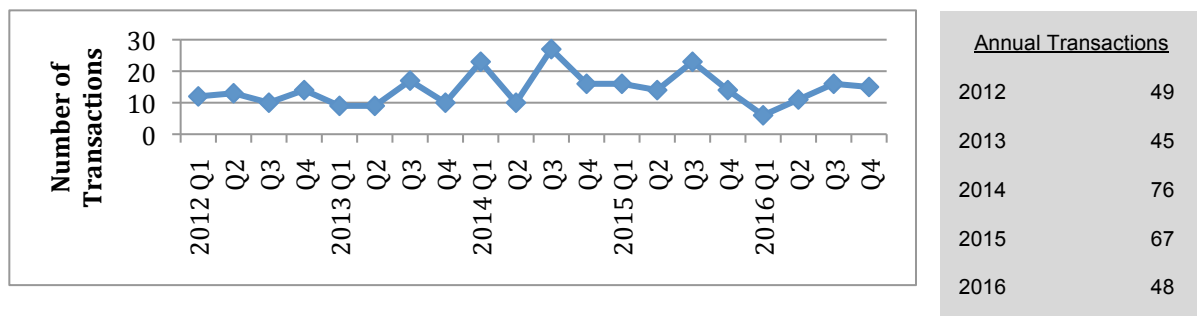


Figure 1: Announced Transactions 2011 – 2015

Notable Transactions – see Announced Transactions for more complete descriptions of the transactions

The most notable transaction impacting the fluid handling industry in the second half of 2016 was the announced merger between **GE Oil and Gas and Baker Hughes**. The merger creates an equipment, technology and services provider to the oil and gas industry with \$32 billion in annual revenue and operations in over 120 countries.

Other notable transactions in the second half of 2016:

- Pentair sold their valves and controls business to Emerson Electric in transaction valued at \$3.15 billion
- Xylem acquired Sensus in a transaction valued at \$1.7 billion

Announced Transactions

Company	Deal	Date (2016)	Comments	Enterprise Value
Akastor ASA	Divests Fjords Processing to National Oilwell Varco	October	Akastor ASA an oil service investment company has entered into a definitive agreement to sell Fjords Processing to National Oilwell Varco for a consideration of NOK 1,200 million on a debt- and cash-free basis. Fjords Processing provides well stream processing technology, systems and services to the upstream oil and gas industry. The company delivers solutions for separation and treatment of oil and gas.	1.2 billion NOK (\$146.4 million)
Aker Solutions	Acquires majority interest (70%) in C.S.E. Mecânica e instrumentação Ltda.	October	Aker Solutions agreed to buy 70 percent of Brazilian C.S.E. Mecânica e Instrumentação Ltda. The agreement includes an option to purchase the remaining 30 percent of the company three years after the expected close of the transaction. C.S.E., which had revenue of BRL 322 million (\$99.8 million) in 2015, provides maintenance, assembly, commissioning and crane operation services at offshore and onshore facilities.	
Atlas Copco	Acquires Roxel Rental AS	July	Atlas Copco has acquired the operating assets of Roxel Rental AS, a supplier of temporary air solutions for the Norwegian offshore industry. Roxel Rental is based in Stavanger, Norway, and is part of the Roxel Group. The company had revenues in 2015 of about MEUR 1.3 (\$1.4 million). Two of the company's employees are joining Atlas Copco. The Roxel Rental fleet consists of diesel and electric-powered compressors that are rented out mainly to oil and gas companies for exploration, production, transportation and storage.	
Atlas Copco	Acquires hb Kompressoren Druckluft- und Industrietechnik GmbH	December	Atlas Copco has agreed to acquire the business of hb Kompressoren Druckluft- und Industrietechnik GmbH, a German distributor and service provider of industrial air compressors and related systems. Hb Kompressoren is based close to Stuttgart and operates in the southwestern region of Germany. About 10 employees will join Atlas Copco. The business is focused on distribution and service of compressors and air treatment systems for use in such areas as manufacturing and general industry.	
Atlas Copco	Acquires Air Power of Nebraska Inc	December	Atlas Copco has acquired Air Power of Nebraska Inc., a compressed air distributor in the central United States. Air Power of Nebraska is based in Omaha, Nebraska, and is servicing the surrounding region, including Nebraska, Iowa and South Dakota. The company sells, installs and services compressed air products and related systems. About a dozen people will join Atlas Copco.	
Alfa Laval	Divests shares in its joint venture Halaas og Mohn AS	July	Alfa Laval has sold all shares in the joint venture Halaas og Mohn AS in Norway. The shareholding in the company accompanied the acquisition of Frank Mohn AS in 2014. The company provides a range of equipment and maintenance services, including rotating equipment service, to the onshore and offshore markets.	
AxFlow	Acquires W. Moser AG	September	AxFlow, extends its product portfolio and market coverage in Switzerland with the acquisition of W. Moser AG. Headquartered in Winterthur, W. Moser AG engages in distribution and repair of pumps. The company was incorporated in 1982.	
Baker Hughes, Inc.	Merger to form Pressure Pumping Company with CSL Capital Management and Goldman Sachs' Merchant Banking	November	Baker Hughes Incorporated, CSL Capital Management and West Street Energy Partners (WSEP) announced an agreement to create a North American land pressure pumping company. Baker Hughes will contribute its North American land cementing and hydraulic fracturing businesses. CSL Capital Management will contribute its Allied Energy Services platform. Further, CSL Capital Management and WSEP will together contribute \$325 million in cash to the new company. CSL Capital Management and WSEP together will own 53.3 percent of the new company, and Baker Hughes will retain a 46.7 percent ownership stake. The new company will operate under the BJ Services brand and will be headquartered in Tomball, Texas.	

Announced Transactions

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Bimba Manufacturing Company, Inc	Acquires Vaccon Company, Inc	December	Bimba, manufacturer of pneumatic, hydraulic and electric motion solutions, announced the acquisition of Vaccon Company, Inc., an innovator in vacuum technology that includes vacuum pumps, vacuum cups, end-of-arm tools, and accessories. Founded in 1972 with headquarters in Medway, Massachusetts, Vaccon will continue to operate from its present location under the current management.	
Cemex SAB de CV and Cemex Concretos SA de CV	Divest ready-mix concrete pumping assets in Mexico to Pumping Team SLL	December	CEMEX, S.A.B. announced that CEMEX and CEMEX Concretos, S.A. de C.V. have entered into a definitive agreement to divest CEMEX Concretos' ready-mix concrete pumping assets in Mexico to Pumping Team S.L.L. ("Pumping Team") for approximately U.S. \$80 million plus an additional U.S. \$29 million purchase price contingent on future performance targets. Pumping Team, a Spanish-based company that specializes in providing pumping services, will become the supplier of ready-mix concrete pumping to CEMEX and its customers in Mexico.	\$80 million (Plus \$29 million contingent purchase price)
General Electric Corp	Merges Oil and Gas division with Baker Hughes	October	GE and Baker Hughes announced the companies have entered into an agreement to combine GE's oil and gas business ("GE Oil & Gas") and Baker Hughes to create an oilfield technology provider with a unique mix of service and equipment capabilities. The "New" Baker Hughes will be an equipment, technology and services provider in the oil and gas industry with \$32 billion of combined revenue (2015) and operations in more than 120 countries. GE will have a 62.5% interest in this partnership and existing Baker Hughes shareholders will have a 37.5% interest through a newly NYSE listed corporation.	
Gorman-Rupp Co.	Acquires Morrison Pump Co.	August	The Gorman-Rupp Co subsidiary Patterson Pump Co has acquired Morrison Pump Co. Founded in 1999, Hollywood, Florida, USA-based Morrison manufactures and services large capacity pumping systems primarily for the municipal flood control and water management markets in North America and South America, the Middle East and Asia. Morrison's sales for the full year 2016 were expected to be around \$7 million.	
Hayward Industries	Acquires Kripsol Group	July	Hayward Industries, Inc., a manufacturer and marketer of residential and commercial pool equipment, has acquired Kripsol Group, headquartered in Yuncos, Spain. Founded in 1988 in Madrid, Spain, Kripsol markets its products around the world under the Kripsol and Fiberpool brands. Kripsol manufactures a broad line of products including pumps, filters, ladders, lights, salt chlorinators, and controls.	
Hugo Vogelsang Maschinenbau GmbH	Acquires Bos Benelux BV	July	Hugo Vogelsang Maschinenbau GmbH has taken over Bos Benelux B.V. Bos Benelux is Vogelsang's central sales partner for Belgium, the Netherlands, and Luxembourg. The owner-managed company has been importing and selling pumps and shredding, distributing, and spreading equipment from Vogelsang and other manufacturers since 1986.	
Lewa GmbH	Acquires Seko Middle East FZE	December	Lewa GmbH has signed a purchase contract with Seko Middle East FZE, a wholly-owned subsidiary of Seko S.p.A. The object of the agreement was the takeover of the entire plant, including all assets and the chemical injection package (CIP) business for the oil and gas sector, the (petro-) chemical industry and the power plant sector. The acquisition is part of the Lewa Group's strategy of specializing in pumps and integrated systems solutions.	
Lynwood Capital Partners	Acquired Rocket Seals Inc.	December	Private investment firm Lynwood Capital Partners announced that it has invested in Rocket Seals, Inc. in partnership with the existing management team of the company. Founded in 1956, Rocket distributes a broad product offerings of seals and O-rings to OEM and the repair and maintenance markets.	

Announced Transactions

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New Way Air Bearings, Inc	Acquires the assets of Bently Pressurized Bearing Co.	August	New Way Air Bearings, Inc. acquired assets of Bently Pressurized Bearing Company from Bently Enterprises LLC on August 10, 2016.	
Pentair Aquatic Eco Systems Inc	Acquires Vaki Aquaculture Systems Ltd	November	Pentair Aquatic Eco-Systems, Inc. has acquired Vaki Aquaculture Systems Ltd., a leading aquaculture equipment manufacturer based in Kópavogur, Iceland. Vaki is focused on the design and manufacture of fish handling, counting and grading solutions for a variety of aquaculture applications.	
Pentair plc	Divests valves and controls business to Emerson Electric Co.	August	Pentair plc has reached an agreement to sell its Valves & Controls business to Emerson (NYSE: EMR). The cash purchase price is \$3.15 billion, subject to customary working capital adjustments. Pentair acquired the Valves & Controls business in 2012 through an all-stock merger with the Flow Control business of Tyco International Ltd. E2016 revenue is \$1.6 billion	\$3.15 billion 1.9x revenue 14.1x E2016 EBITDA
Sepro Mineral Systems	Acquires Canamix Processing Systems Ltd.	October	Sepro Mineral Systems Corp. has acquired Canamix Processing Systems Ltd. a well-established company specializing in the production of agitators, attrition cells, and peristaltic pumps for the North American and international markets. Canamix has been in operation since 2009 and offers equipment solutions featuring agitators and the largest peristaltic pumps in the world.	
SKion and la Cassie	Acquire Ovivo	July	Ovivo Inc. is a global provider of equipment, technology and systems dedicated to the treatment of water and wastewater. Ovivo operates an integrated global platform in over 15 countries, with 800 employees.	C\$185 million (\$141.9 m) 11x EBITDA
Smiths Group plc	Divests artificial lift business	September	Smiths Group plc has entered into an agreement to sell its Artificial Lift business, part of the John Crane division, to Endurance Lift Solutions, LLC. Artificial Lift is engaged in the sale of products and services, principally sucker rods for onshore upstream oil and gas customers in the United States and Romania. For the unaudited year ended 31 July 2016, the business and assets subject to the transaction had combined revenues of \$53.4m and an operating loss before certain non-recurring items of \$10.1m. The gross assets of the combined business at 31 July 2016 were \$32.1m.	\$39.5 million 0.70x revenue
Soundcore Capital Partners, LLC	Acquires PumpMan, Inc.	September	Soundcore Capital Partners, LLC a New York-based private equity firm has completed the acquisition of PumpMan, Inc., a provider of pump system maintenance, repair and new system installation. Los-Angeles-based PumpMan was founded in 1976, and serves more than 2,700 customers in the municipal, commercial, industrial and residential markets across Southern California.	
Spirax-Sarco Engineering, plc	Acquires Aflex Hose Ltd	December	Watson-Marlow Fluid Technology Group has acquired Aflex Hose Limited and its subsidiary Aflex Hose USA LLC (Aflex) through its parent company Spirax-Sarco Engineering plc. Aflex, based in Halifax, England and with a sales/assembly operation in Pennsylvania, USA, specializes in the design and manufacture of PTFE lined flexible hose for the pharmaceutical, food and chemical process industries.	£61.4 million (\$77.9 million)
Sulzer Ltd.	Acquires Ensival Moret	November	Sulzer has acquired the pump manufacturer Ensival Moret from Moret Industries. Ensival Moret (EM), whose main manufacturing facilities are based in Saint Quentin, France, and Thimister, Belgium, achieved sales of EUR 115 million (\$126.5 million) in 2015 and has currently about 730 employees. EM also operates manufacturing facilities in Brazil and China, as well as multiple service centers across the globe. EM offers a wide range of industrial pumps for applications such as fertilizers, sugar, mining, and chemicals.	€80 million (\$88 million) 1.4x revenue

Announced Transactions

Company	Deal	Date (2016)	Comments	Enterprise Value
Sulzer Ltd.	Acquires majority stake in Rotec	December	Sulzer is buying control of the assets of Rotec GT, the gas turbine maintenance division of the Rotec group. Rotec GT is headquartered in Moscow and has a refurbishment center for gas turbine components in Ekaterinburg. With around 50 employees, it achieved 2015 revenues of about CHF 35 million (\$35 million) and an EBITDA margin of slightly above 20%. The combined entity will operate under the Sulzer brand and will be fully consolidated by Sulzer. The enterprise value of Rotec GT, at a multiple of 4x EBITDA, has been backed by an independent valuation report.	
Tencarva	Acquires Dixie Pump & Machine Works	August	Tencarva Machinery Company LLC, based in Greensboro, N. C., has acquired Dixie Pump & Machine Works in Brookhaven, Miss., plus the assets of a portion of Predictive Maintenance Consultants in Brookhaven. Founded in 2006, Dixie Pump & Machine Works is a repair facility, with 11 employees, serving customers in Mississippi, Alabama, Arkansas and Louisiana. They primarily work on rotating equipment.	
Timken Company	Acquires Lovejoy, Inc	July	The Timken Company announced that it has acquired Lovejoy, Inc., a manufacturer of industrial couplings and universal joints. For the 12 months ending March 31, 2016, Lovejoy sales were approximately \$56 million. The company's products are widely used in diverse industries including energy, fluid power, food and beverage, aggregate, paper and steel. Lovejoy employs approximately 300 people.	\$66.0 million 1.2x revenue
Timken Company	Acquires EDT Corp	November	The Timken Company announced that it has acquired EDT Corp., a manufacturer of polymer housed units and stainless steel ball bearings used widely by the food and beverage industry. EDT Corp. is based in Vancouver, Wash., and serves a well-established customer base primarily through North American distributors with whom Timken has long-standing relationships. The line includes a range of non-corrosive, greaseless, wash-down-resistant and extreme temperature bearings and accessories. In 2015, EDT Corp. revenue was less than \$10 million.	
Trelleborg AB	Acquires Anderson Seal Inc.	September	Trelleborg has, through its Trelleborg Sealing Solutions, signed an agreement and finalized the acquisition of U.S.-based Anderson Seal Inc. The business specializes in the distribution and service of seals, gaskets and custom-molded products for Original Equipment Manufacturers (OEMs) in several industries. The acquired business has its office and warehouse in New Berlin, Wisconsin. Sales amounted to approximately SEK 145 M (\$17.2 million) 2015. The company was founded in 1990.	
Trelleborg AB	Acquires seal and bearing manufacturing subsidiary of CoorsTek, Inc.	September	Trelleborg has, through its business area Trelleborg Sealing Solutions, signed an agreement to acquire a U.S.-based subsidiary of CoorsTek, Inc. that specializes in the manufacturing of precision seals for the aerospace industry. The acquisition will further strengthen Trelleborg's presence in North America and in sealing solutions for major aircraft programs. The operation is located in El Segundo, California. Sales amounted to approximately SEK 115 M (\$13.3 million) in 2015.	
Xylem	Acquires Sensus	August	Xylem Inc., announced it has signed a definitive agreement to acquire Sensus for approximately \$1.7 billion in cash. Sensus, owned by investment funds affiliated with The Jordan Company and GS Capital Partners 2000, is a provider of smart meters, network technologies, and advanced data analytics services for the water, electric and gas industries. Sensus generated \$837 million in adjusted revenue and \$159 million in adjusted EBITDA in fiscal 2016, which ended March 31, 2016.	\$1.7 billion 1.2x revenue 10.7x EBITDA

Most Active Companies - see Announced Transactions for more complete descriptions of the transactions

Atlas Copco continued their aggressive acquisition program with three acquisitions in the second half of 2016; a rental business and two distribution/service companies.

Other companies with multiple transactions in the second half of 2016:

Pentair plc	2
Sulzer Ltd	2
Timken Co	2
Trelleborg AB	2

Companies with multiple transactions for the full year 2016:

Atlas Copco	7
AxFlow	3
Pentair	2
Sulzer	2
Timken	2
Trelleborg	2

Activity by Industrial Segments

Our diversified category is comprised of target companies who serve multiple industry sectors and, as usual, is the category with the majority when categorized by markets served. However, in 2016 we saw a significant change in mix with an uptick in transactions with companies who primarily serve oil & gas and water industrial markets.

There was also an increased interest in distribution and service businesses, which accounted for 52% of the deal activity in 2016 compared to 37% in 2015.

Segment	# Deals Q1	%	# Deals Q2	%	Total 2016	% 2016	% 2015
Diversified	11	65%	14	45%	25	52%	64%
Oil & Gas	3	17%	8	26%	11	23%	10%
Water/Wastewater	2	12%	5	16%	7	15%	6%
Other	1	6%	4	13%	5	10%	20%
Total	17	100%	31	100%	48	100%	100%

Activity by Targeted Geographies in 2015

The geographic target areas have been relatively consistent despite the diverse political and economic uncertainties of the various regions of the world. There continues to be little to no fluid handling industry M&A activity in the emerging economies.

Area	# Deals Q1	%	# Deals Q2	%	Total 2016	% 2016	% 2015
North America	9	53%	18	58%	27	56%	49%
Europe, Middle East, Africa	7	41%	12	39%	19	40%	45%
Asia, Australasia	1	6%	0	0%	1	2%	2%
South America	0	0%	1	3%	1	2%	3%
Total	17	100%	31	100%	48	100%	100%*

*1% unknown in 2015

Fluid Handling Industry Disclosed Transaction Valuations for the Last Twelve Months (LTM) ending December 2016

Transaction Value	Number of Transactions	EV/Revenue Multiple Range	EV/Revenue Multiple Median	EV/EBITDA Multiple Range	EV/EBITDA Multiple Median
≥ \$1 billion	2	1.2 to 1.9	1.6	10.7*	10.7*
\$500 - \$999 million	0				
\$100 – \$499 million	2		0.67*		11.0*
\$50 - \$99 million	2	1.2 to 1.4	1.3		
\$10 – 49 million	0				
\$0 - \$9 million	1		0.83*		

*One transaction

Note: Amounts shown as \$ are USD unless noted otherwise. Currency conversions are done at the average exchange rate for the month in which the transaction is announced. Prior year amounts are converted at the average exchange rate for relevant period.

Sources: Company Announcements, Capital IQ and SEC Filings

Terms: EBITDA - earnings before interest, taxes, depreciation and amortization; EV - enterprise value is the combined amounts of market capitalization, minority interests, preferred stock and net debt; Revenue - amount recorded as net sales for the period.

Disclaimer: The information provided in this report is not intended to be used for valuation, market comparison, investment or other transaction related purposes.

At Global Equity Consulting and City Capital advisors we help private business owners:

- Understand the current market value of their business
- Help to provide insight on how to create additional value
- Provide support to plan and execute a transition of ownership

Contact us for a confidential consultation

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