



Global Equity Consulting, LLC

Fluid Handling Industry

Q3 2018 Update of M&A Activity

October 17, 2018

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about Thomas Haan



Tom's 40 year career has been in the Fluid Handling Industry as a senior executive and advisor for both public and privately held companies. He has extensive international experience helping businesses achieve enhanced profitable growth.

Tom has served on the Board of Directors of the Hydraulic Institute and as chairman of its Associate Member Council. He is a past president of the Fluid Sealing Association.

FINRA Registered Investment Banking Representative

Operating Director, City Capital Advisors, LLC
Principal, Global Equity Consulting, LLC

Previous Experience: **President** EagleBurgmann Industries; **President** Flowserve Corporation Flow Solutions (Mechanical Seal) Division, **COO** Durametall Corp.

Education: School of Business - Western Michigan University



about Global Equity Consulting

Business Development

- *StrategicAction*[®] Planning – team based strategy development and execution
- Organic growth initiatives and enhancing value
- Business Valuations

Merger & Acquisition Support

- Transition ownership – selling a business
- Inorganic growth – buying a business
- Raise capital



about City Capital Advisors

Member of FINRA and SIPC



Mission: to provide senior level corporate finance advice and unparalleled execution services to leading middle market companies and their owners.

- Buy-side – inorganic growth through acquisitions
- Sell-side – plan and execute the sale of a business
- Capital raise - for growth or owner liquidity





about City Capital Advisors

Member of FINRA and SIPC



Mission: to provide senior level corporate finance advice and unparalleled execution services to leading middle market companies and their owners.

- Each Managing Director has 20+ years experience; collectively they have completed 500+ transactions totaling \$60+ billion in value.
- Provides M&A advisory and other investment banking services to private and publically held middle market companies valued between \$50 and \$500 million.





Fluid Handling Industry M&A Activity Q3 Update 2018

General M&A Review

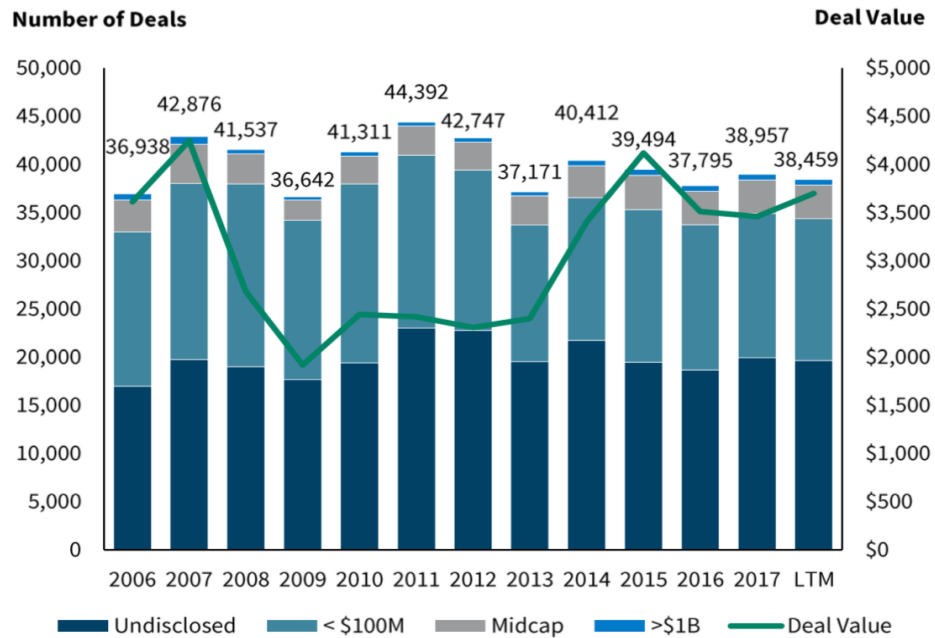
Industry M&A Review





Global M&A Activity

Global M&A – Volume and Values by Deal Size
(\$ in billions)



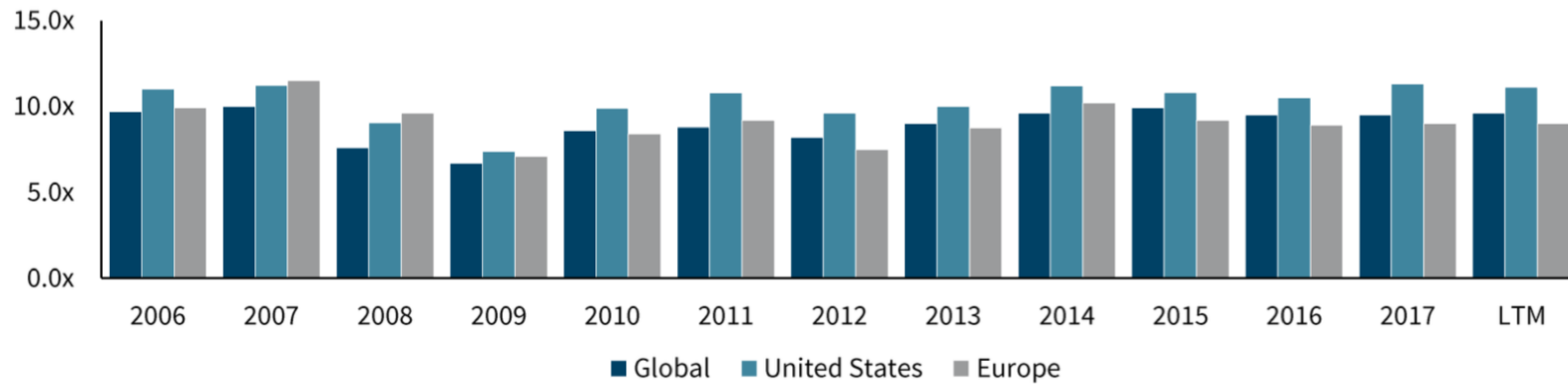
LTM data thru Q1 2018

Source: Dealogic



EV/EBITDA Median Valuation Multiples

All Deal Sizes – Global, United States, and Europe
(EV/EBITDA)



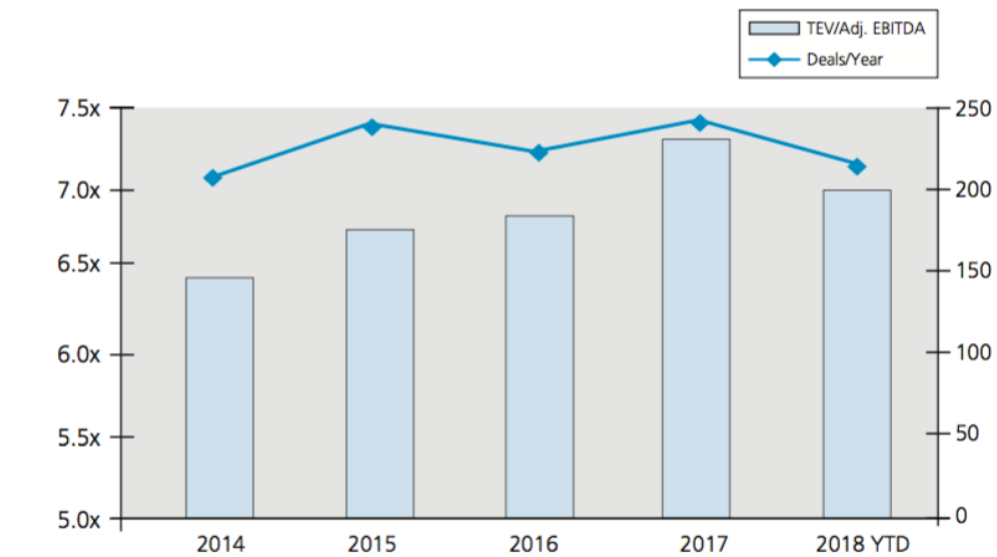
Source: Dealogic

LTM date thru Q1 2018



U.S. Middle Market Private Equity M&A Activity

AVERAGE MULTIPLES AND DEAL VOLUME



GF SOURCE: GF DATA®

2018 YTD is annualized



Middle Market Private Equity Valuations

TOTAL ENTERPRISE VALUE (TEV)/EBITDA

TEV	2003– 2013	2014	2015	2016	2017	YTD 2018	Total	N =
10-25	5.5	5.5	5.8	5.8	6.4	5.9	5.6	1183
25-50	6.1	6.4	6.6	6.4	6.6	6.6	6.3	861
50-100	6.7	7.6	7.8	7.3	8.2	9.1	7.1	594
100-250	7.2	7.5	9.0	8.9	9.2	8.5	7.9	296
Total	6.1	6.4	6.7	6.8	7.3	7.0	6.3	
N =	1897	213	242	228	244	110		2934

Please note that N for 2003-13 encompasses eleven years of activity.

 SOURCE: GF DATA®

YTD 2018 is thru Q2



Middle Market Quality Premium

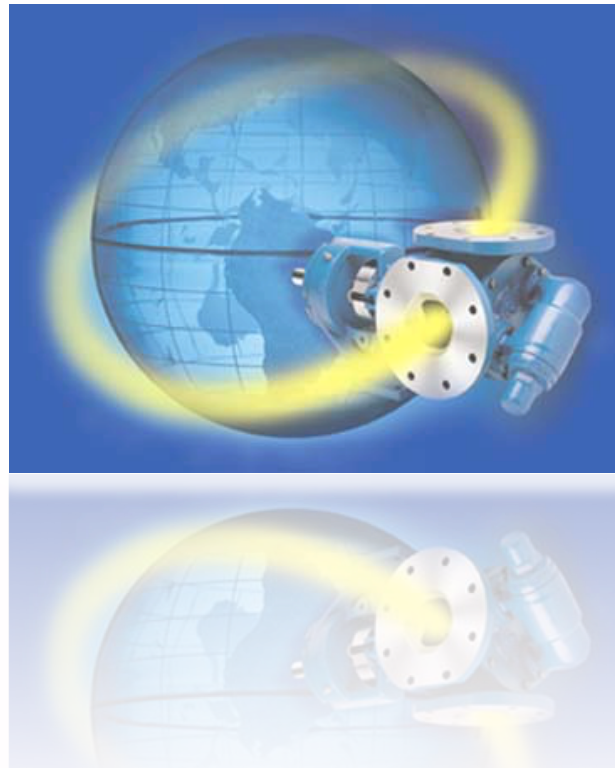
QUALITY PREMIUM—BUYOUTS ONLY

	2003- 2013	2014	2015	2016	2017	YTD 2018	Total
Above Average Financials	6.1	6.8	7.3	7.2	7.8	7.7	6.6
Other Buyouts	5.9	5.8	5.9	6.0	6.5	6.1	5.9
Premium(/Discount)	105%	116%	123%	121%	119%	126%	111%
Incidence	57%	53%	55%	57%	59%	61%	57%

GF SOURCE: GF DATA®



Industry M&A Q3 Update 2018





FHI Industry M&A Activity

Year		Number of Deals
2014		76
2015		67
2016	Thru Q3 33	48
2017	Thru Q3 38	54
2018	Thru Q3 54	Projected 68

- 2018 activity started at near record pace in Q1 with 26 transactions.
- Q2 and Q3 reverted to the mean with 13 and 15 transactions respectively.
- Projecting 2018 to be a relatively strong year for deal activity due to the very strong Q1 activity level



FHI Disclosed Valuations 2018

Company	Deal	Enterprise Value	Revenue Multiple	EBITDA Multiple
Michelin	Acquired Fenner PLC	\$1.90 bn	1.8	13.3
Weir Group	Acquired ESCO	\$1.29 bn	2.0	14.3
Applied Industrial Technologies	Acquired FCx Performance	\$784 mm	1.4	11.5
United Rentals	Acquired BakerCorp	\$715 mm	2.4	9.1
Granite Construction	Acquired Layne Christensen	\$565 mm	1.2	8.2
Lydall	Acquired Interface Performance Materials	\$265 mm	1.9	10.2
John Crane	Divested Bearings Business	\$35 mm	0.6	5.2
Interpump Group	Acquired GS-Hydro	\$11 mm	0.15	2.3
Franklin Electric	Acquired Valley Farms Supply	\$9.0 mm	0.32	NA
Interpump Group	Acquired Ricci Engineering	0.70 mm	0.30	3.0

Notes: 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. EBITDA, Revenue and Value are USD millions.



Q3 2018 M&A Update Most Active

Company	# Deals	Comments
AxFlow	Six acquisitions	Expanding distribution and service locations in Europe and Australasia
PumpMan Holdings	Four acquisitions	Expanding pump service footprint in U.S.
Evoqua Water Technologies	Three acquisitions	Expanding water solutions and service capabilities in U.S. and Canada

Companies doing two deals in the fluid handling space YTD :

Atlas Copco, Franklin Electric, Interpump Group, John Crane, SunSource



Q3 2018 M&A Update Observations

<ul style="list-style-type: none">• Water remains most targeted end-use market	31% of transactions had target companies that are focused on moving, treating or managing water.
<ul style="list-style-type: none">• North America most targeted region	YTD 57% of the transactions had North American based targets, 37% European based targets and 3% rest of the world.
<ul style="list-style-type: none">• Distribution and/or equipment service continues to be a highly active space	19 % of the transactions had target companies that are industrial distributors and/or service companies.



Questions & Answer Session

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