



Fluid Handling Industry

M&A Activity and Industry Performance Review of 2021 Look Ahead to 2022

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OVERVIEW

Review of 2021

- Overall M&A Activity
- Fluid Handling Industry M&A
- Industry Performance

A Look Ahead to 2022

- Industry Outlook
- M&A Outlook





about Thomas Haan



Global Equity Consulting, LLC

Forty plus year career in the Fluid Handling Industry as a senior executive and advisor for both public and privately held companies.

Extensive experience helping businesses achieve enhanced profitable growth.

Served on the Board of Directors of the Hydraulic Institute and as chairman of its Associate Member Council. 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** Durametallic Corp.

Education: School of Business - Western Michigan University



About Global Equity Consulting & City Capital Advisors

Investment Banking & Business Development

In-depth fluid handling industry experience

Extensive M&A experience (more than 500 transactions and \$60 billion in transaction value)
of alliance partner, City Capital Advisors

What we do:

- Organic Growth - Revenue and Profitability
- Growth Through Acquisition
- Business Valuation
- Transition of Ownership



Member of FINRA and SIPC



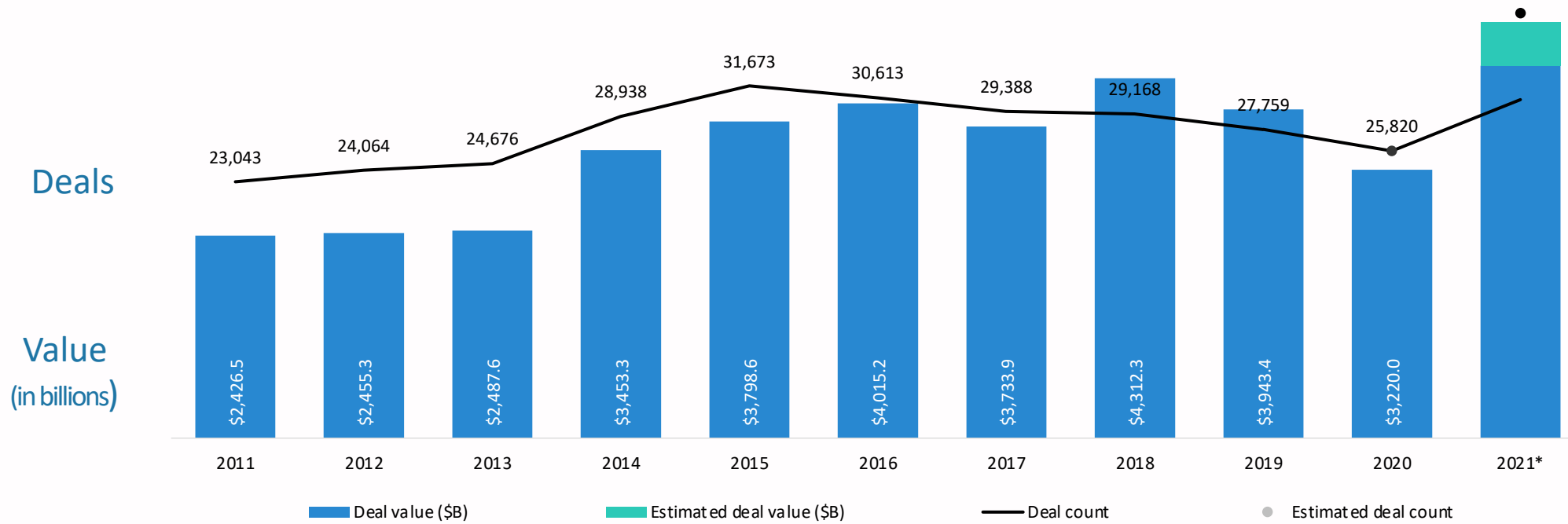
Review M&A Activity 2021

General M&A Review

Industry M&A Review

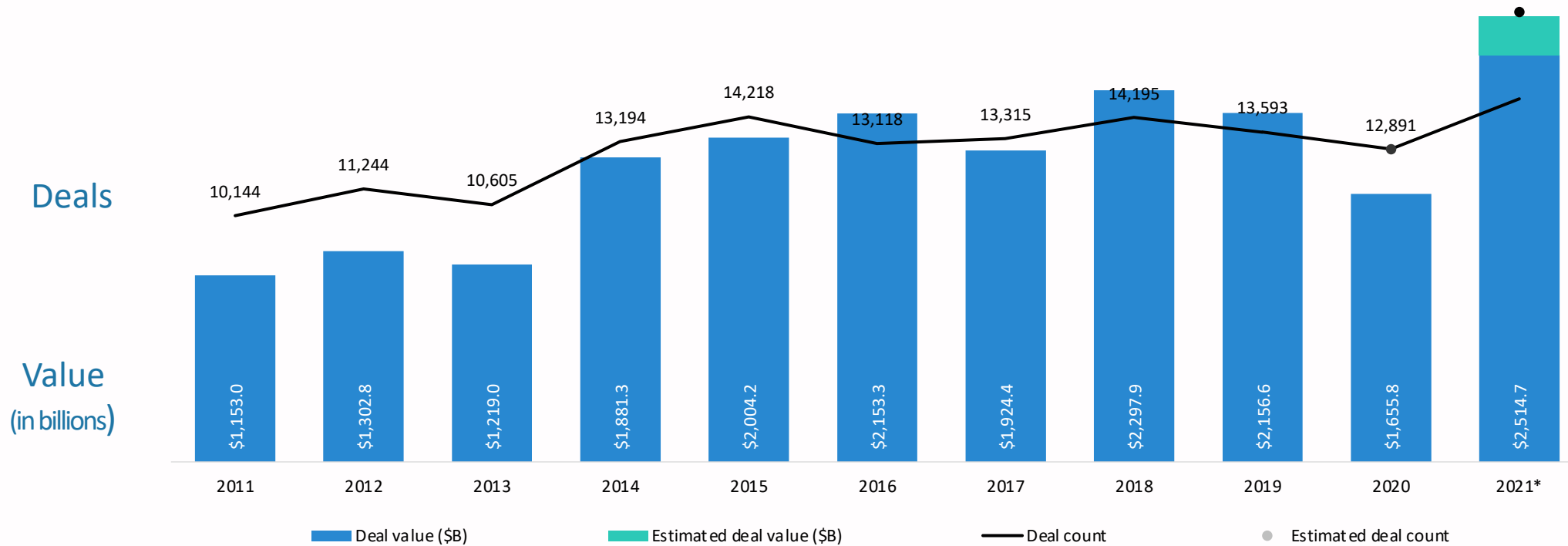


Global M&A Activity



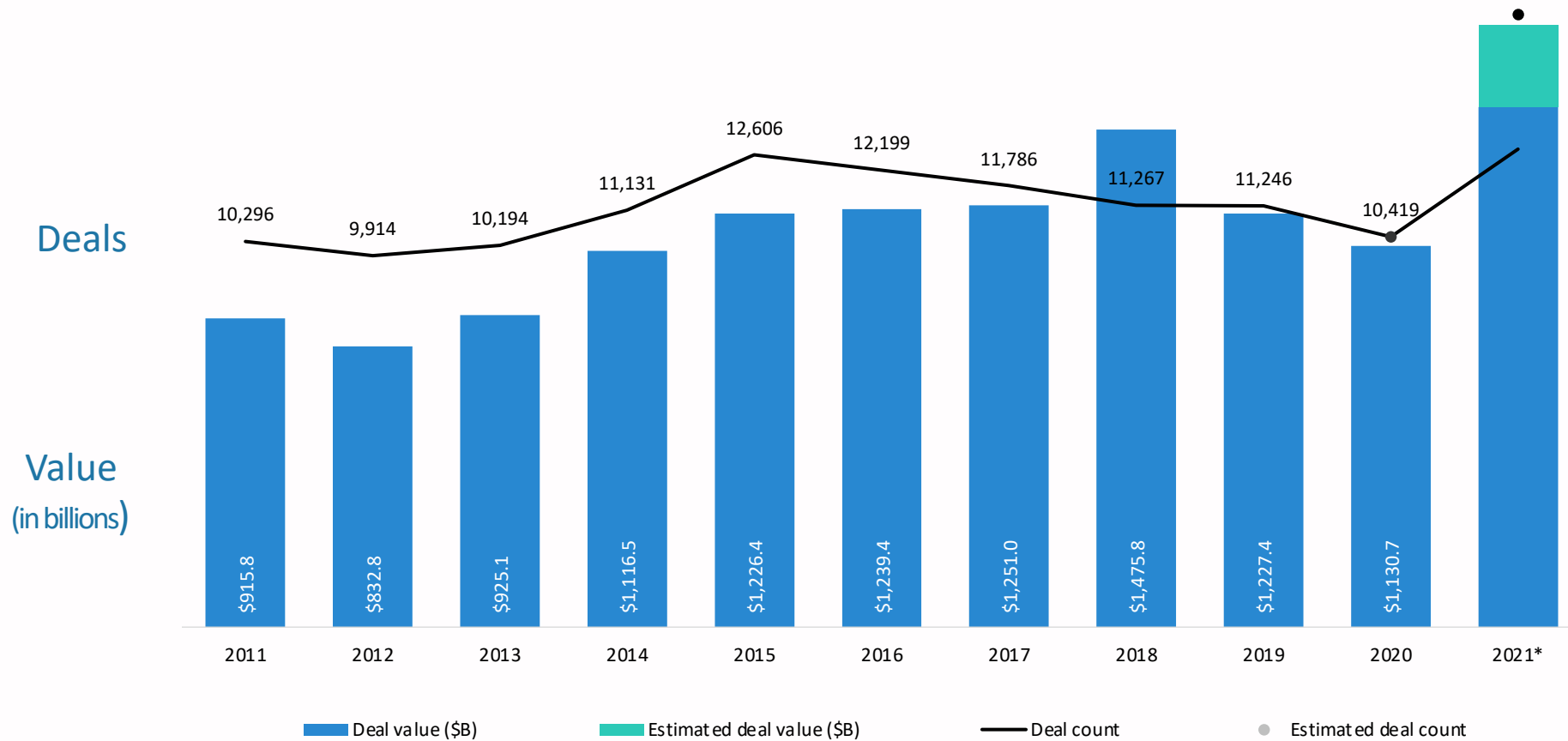
Source: PitchBook's 2021 Annual Global M&A Report

North America M&A Activity



Source: PitchBook's 2021 Annual Global M&A Report

Europe M&A Activity



Source: PitchBook's 2021 Annual Global M&A Report

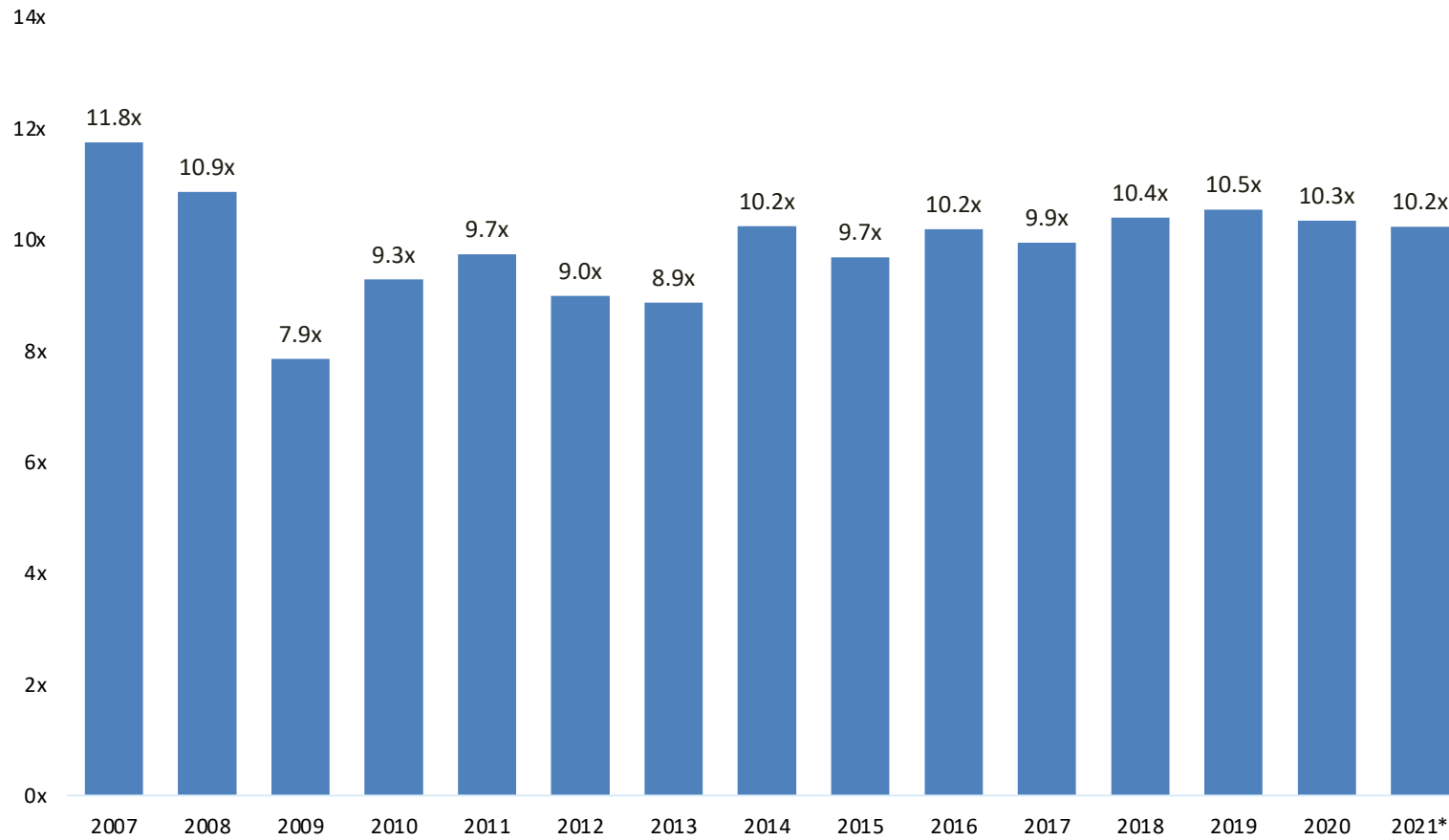


Macro Factors Impacting M&A Valuations

- 1) Level of demand for quality acquisitions
- 2) Cost of capital
- 3) Growth outlook



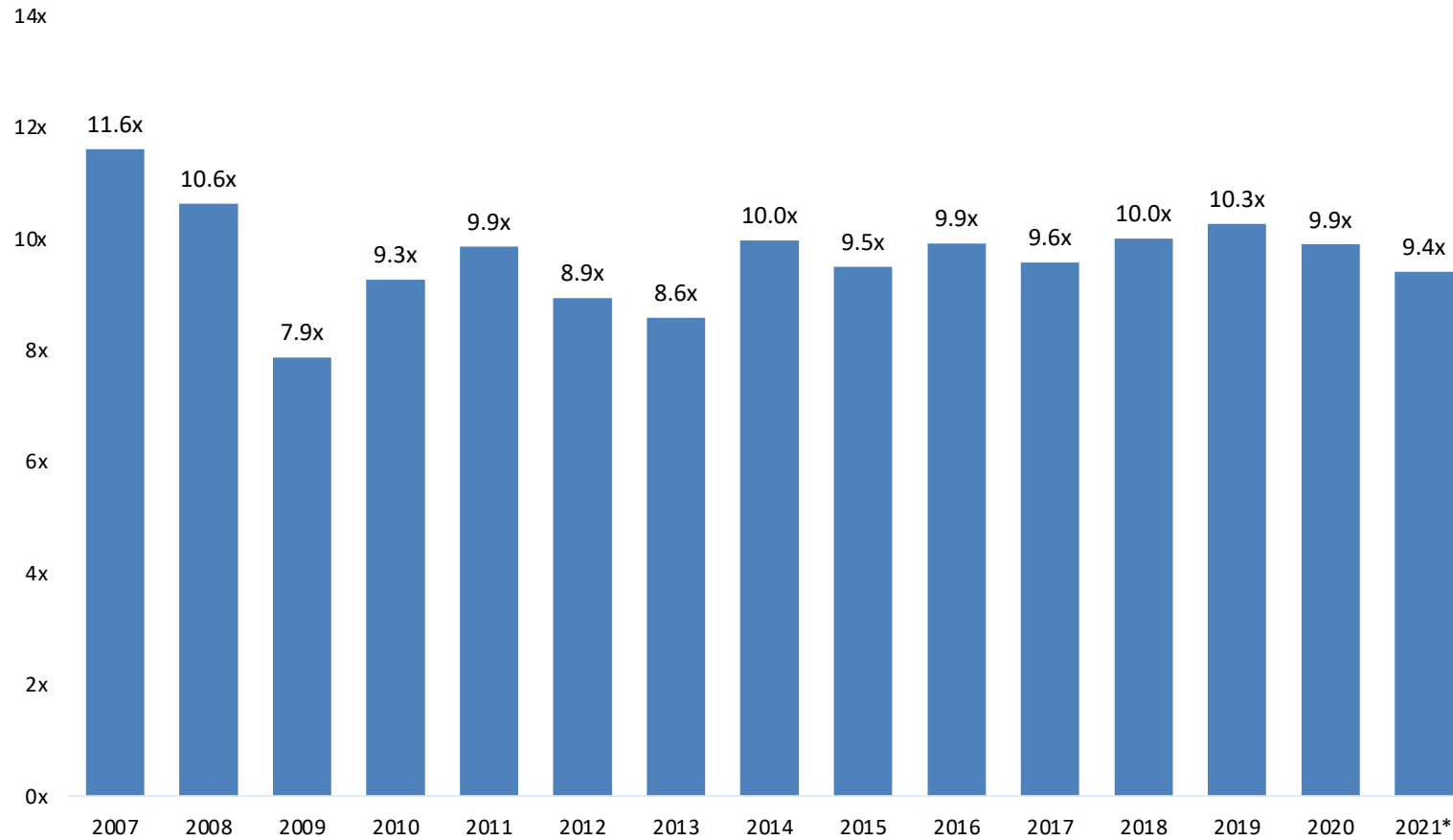
Global Multiples for All M&A



Source: PitchBook's 2021 Annual Global M&A Report



Global Multiples for Strategic M&A



Source: PitchBook's 2021 Annual Global M&A Report



Middle Market Private Equity Valuations

TEV	2003 – 2016	2017	2018	2019	2020	2021	Total	Number of Transactions
\$ 10M - \$ 25M	5.6x	6.3x	5.9x	6.1x	5.9	6.2x	5.7x	1,644
\$ 25M - \$ 50M	6.2x	6.6x	6.9x	6.9x	6.8	7.0x	6.5x	1,279
\$ 50M - \$ 100M	6.9x	8.2x	8.8x	7.5x	8.0	8.3x	7.4x	867
\$ 100M - \$ 250M	7.7x	9.0x	8.7x	9.3x	8.6	9.0x	8.3x	472
Total	6.2x	7.2x	7.2x	7.0x	7.0	7.3x	6.6x	
Number of Transactions	2605	273	299	324	329	432		4262

Source: GF Data February 2022 M&A Report Chart 1



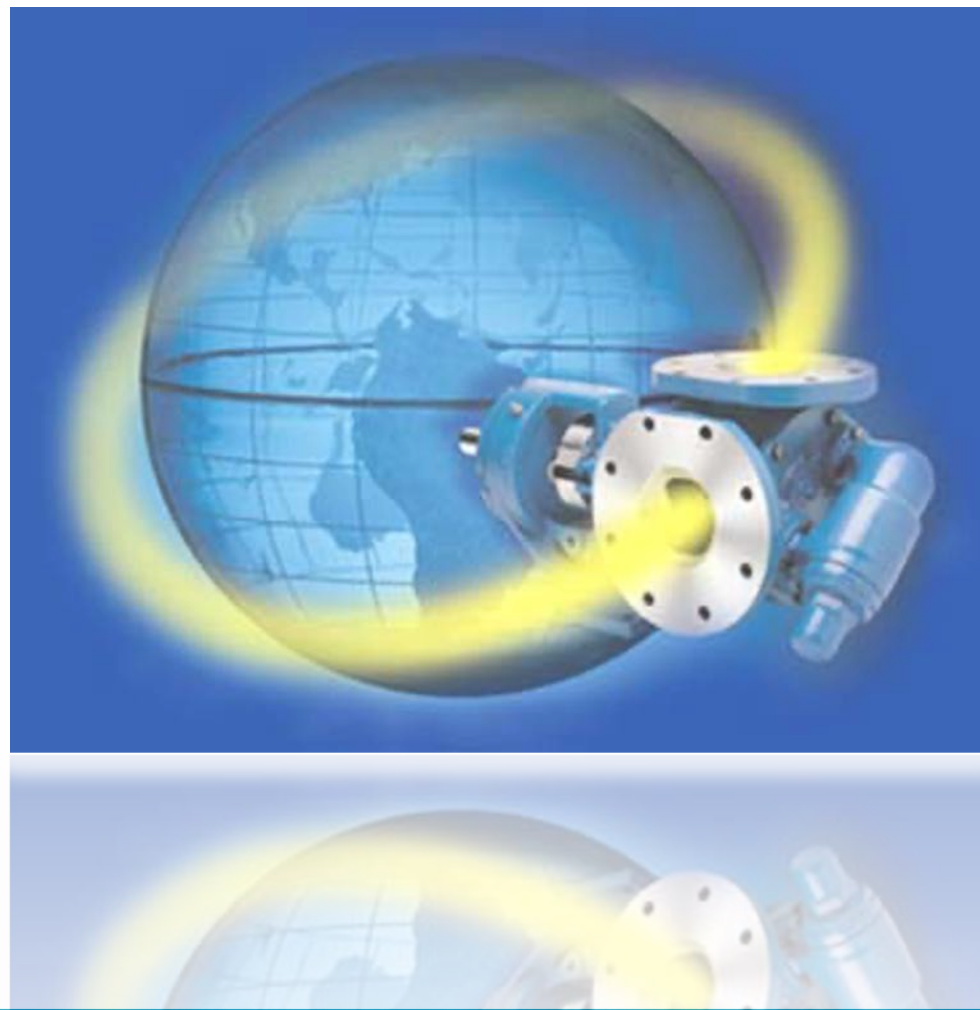
Middle Market Quality Premium

	2003 – 2016	2017	2018	2019	2020	2021	Total
Above Average Financials	6.4	7.8	7.8	7.5	7.7	7.9	7.0
Other Buyouts	5.9	6.4	6.4	6.3	6.1	6.1	6.0
Premium / (Discount)	109%	122%	123%	120%	127%	130%	116%
Incidence	56%	56%	59%	52%	56%	66%	57%

Source: GF Data February 2022 Chart 9



Fluid Handling Industry M&A Review 2021





M&A Activity 2021

Year	Number of Deals
2017	54
2018	67
2019	71
2020	69
2021	102

- Clearly the activity level in 2022 was very strong – the highest level of activity in the last 5 years by a wide margin.
- There were 47 companies who accounted for the 102 transactions
- The activity is somewhat concentrated in that the 16 companies who did multiple transactions in 2022 account for 64% of the activity.



Deal Activity by Targeted Industries

2021

	Number of Transactions	Percentage
Diversified	59	58%
Water	23	22%
Hygienic	6	6%
Oil & Gas	3	3%
Other	11	11%
Total	102	100%

Water continues to be the most sought after target industry

Hygienic is showing up for the first time as a category.



Deal Activity by Targeted Geographies

	2021	2020
North America	54%	44%
Europe	40%	49%
Row	6%	7%

The geographic distribution in 2021 was more typical of past years with a higher percentage of target companies being in North America vs. 2020 when there was a higher percentage of targets in Europe.

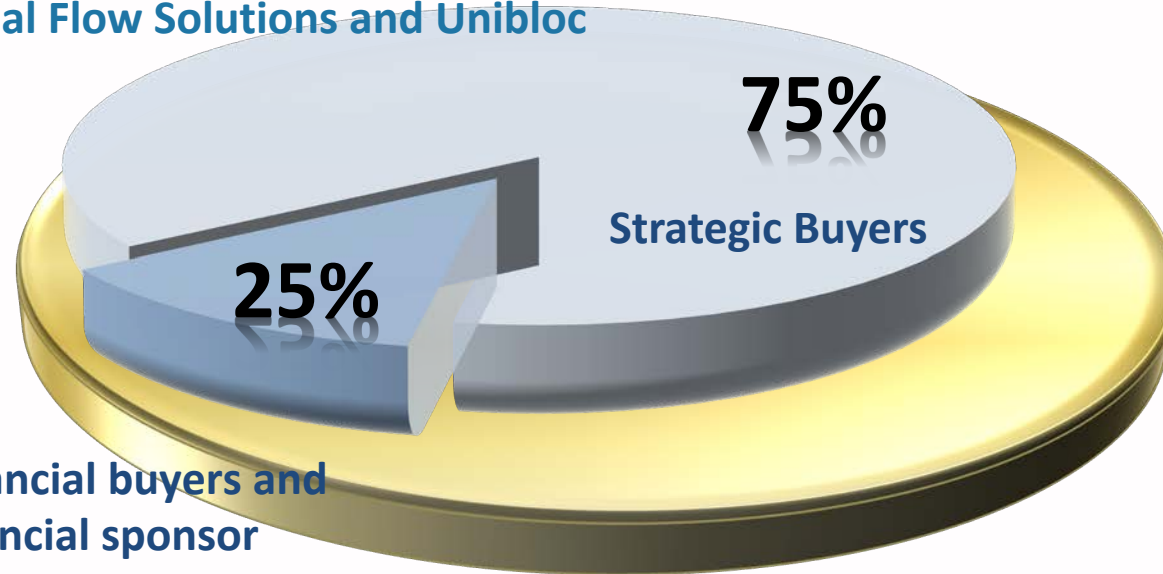
Emerging markets have not been significant target geographies for M&A.

Strategic Vs. Financial Sponsor Buyers - 2021

Most Active Financial Sponsors in 2021

- KPS Capital Partners Howden Group and Lufkin Industries
- Genstar Capital Partners- OTC
- May River Capital – Industrial Flow Solutions and Unibloc

Private equity and financial sponsors play an important role but strategic buyers are the primary drivers of acquisition activity



Financial buyers and financial sponsor backed Companies

Source: Global Equity Consulting, LLC Research

2021 Most Active

Company	Transactions	Company	Transactions
Atlas Copco	14	Franklin Electric	4
AxFlow	6	Ohio Transmission Corp. (OTC)	4
Howden Group	6	Indutrade	3
DXP	5	Pentair	3
Ingersoll Rand	5	Wilo	3
Six other companies were involved in 2 transactions in 2021			

Source: Global Equity Consulting, LLC Research



2021 Five Largest Transactions

Company	Transaction	Target	Value
Lone Star Funds	Acquisition	SPX Flow	\$3.8 billion
Ingersoll Rand	Acquisition	Seepex	\$508 million
IDEX	Acquisition	AirTech Group	\$407 million
Sulzer	Spin-off	Applicator Systems Div.	\$342 million
Ingersoll Rand	Divest (55%)	High Pressure Solutions (HPS)	\$300 million

Source: Global Equity Consulting, LLC Research



Fluid Handling Industry Valuations

2021 (Disclosed Valuations)

Transaction Value	Deals	EV/Revenue Multiple Range		Deals	EV/EBITDA Multiple Range	
≥ \$ 1 billion	1	1.5		1	18.1	
\$500- \$999 million	1	2.7				
\$100- \$499 million	7	4.4 – 1.7		3	20.4 – 10.4	
\$50- \$99 million	3	6.4 – 1.2				
\$10 - \$49 million	4	0.4 – 2.0				
\$0 - \$9 million						
Median Values 2021	16	Rev \$104	2.4x	4	EBITDA \$60.5	15.5x
Median Values 2020	10	0.9x		3	5.3x	
Median Values 2019	14	1.3x		7	10.8x	

Source: Global Equity Consulting, LLC Research



Fluid Handling Industry Key Statistics 2021 2022 Growth Outlook





Fluid Handling Industry 2021 Statistics

Metric	Median Value
Market Cap	\$4.4 billion
Revenue	\$2.6 billion
EBITDA Margin	14.1%
EV/Rev	2.0x
EV/EBITDA	13.9x

Notes:
Statistics for individual companies are YE 31 Dec 2021 or TTM 30 Sep 2021
Revenue - amount recorded as net sales for the period
EBITDA margin is based on adjusted 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

Source: City Capital Advisors Worldwide Public Company Data Set, CapIQ



Fluid Handling Industry 2021 Statistics

Metric	TTM (median)	NTM (median)
Revenue Growth	10.4%	10.1%
EPS (adjusted) Growth	20.9%	17.3%

Notes:

Revenue - amount recorded as net sales for the period
EPS – earnings per share
TTM – trailing twelve months ending 31 Dec 2021 or 30 Sep 2021
NTM – next twelve months based on CapIQ estimates

Source: City Capital Advisors Worldwide Public Company Data Set, CapIQ.



Looking Ahead

M&A Outlook - 2022





Looking Ahead 2022 – Driving Forces

Primary Seller Motivations

- Increased awareness of the ongoing risk of ownership
- Take advantage of current strong valuations (while they last)
- Strategic realignment



Looking Ahead 2022 - Driving Forces

Primary Buyer Motivations

- Acquiring growth opportunities: technology, digitalization, geography
- Vertical integration: supply chain, channel
- Put cash to work
- Expand international reach
- Strategic realignment



Looking Ahead 2022 M&A Outlook

Thoughts about 2022:

Buy-Side Demand – expect it to continue to be strong

Private Business Owners – heightened sensitivity to ongoing risk of ownership

Valuations – Uncertainty and rising interest rates likely to create more cautiousness. High valuations of recent years have been fueled by low interest rates and relatively positive outlook – despite COVID. Those positive factors are now more in question.



Questions & Answer Session

Thomas E. Haan

thaan@globalequityconsulting.net

thaan@city-cap.com

(269) 385-5186

globalequityconsulting.net

City-cap.com