



Global Equity Consulting, LLC

Fluid Handling Industry

Q3 2022 Update of M&A Activity

October 26, 2022

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about Thomas Haan



Global Equity Consulting, LLC



Tom's 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, **President** Durametallic 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
- Capital Raise

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 publicly held middle market companies valued between \$50 and \$500 million.





Q3 2022 M&A Update

Key Takeaways

1. General M&A activity in the 1st half of 2022 is declining sequentially from record levels of activity in Q4 2021 in North America and Q1 2022 in Europe but at still at relatively high levels ... we will see what happens going forward.
2. FHI M&A activity YTD thru Q3 2022 remains strong and, contrary to the general trend, increasing sequentially – the 2022 activity level will likely end at the same level as the record year of 2021.
3. Valuations remain strong
4. Private equity activity in the industry remains at +/- 20% of buy-side transactions
5. Water vertical and North America remain key industry and geographic targets



Fluid Handling Industry

M&A Activity Q3 Update 2022

General M&A Review



M&A Activity North America

Quarterly North American M&A activity

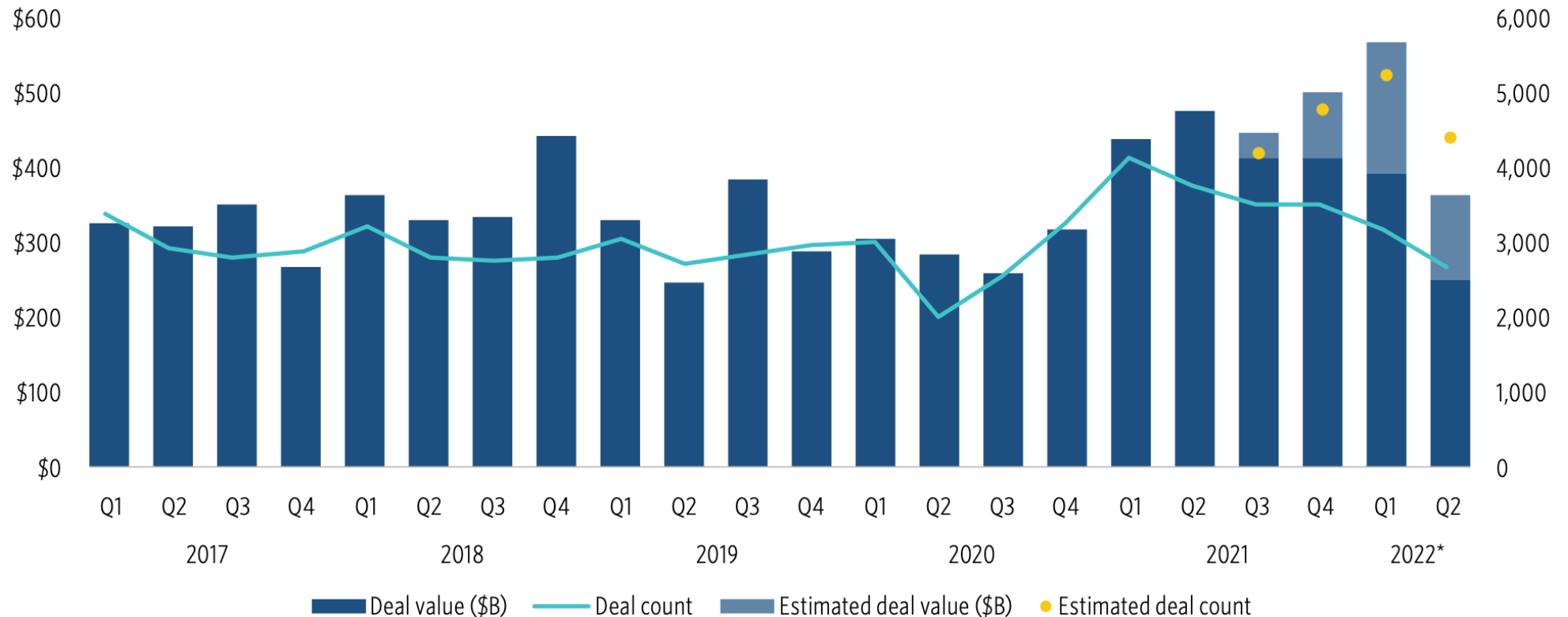


Source: PitchBook | Geography: North America

*As of June 30, 2022

M&A Activity Europe

Quarterly European M&A activity



Source: PitchBook | Geography: Europe

*As of June 30, 2022

Middle Market Private Equity Valuations

TOTAL ENTERPRISE VALUE (TEV)/EBITDA

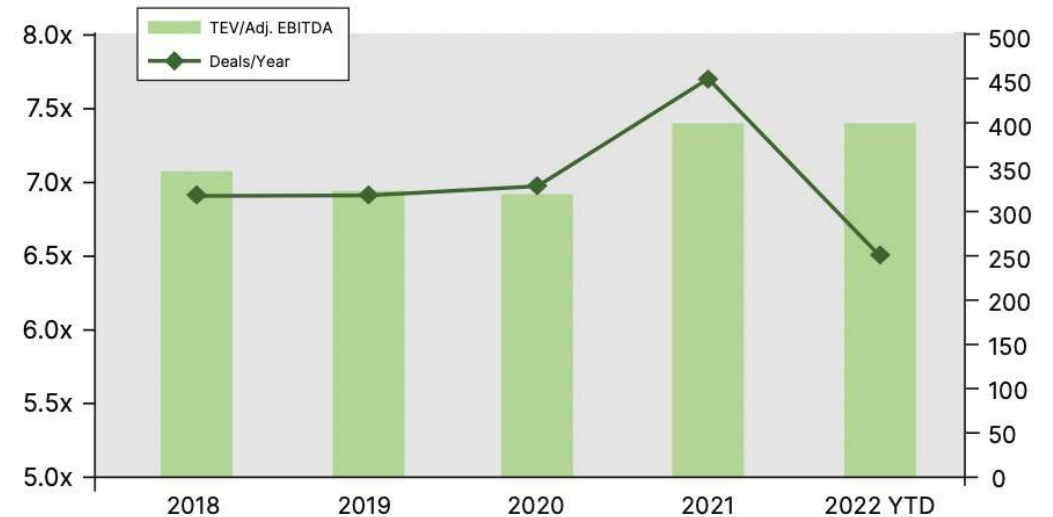
| TEV | 2003 -2017 | 2018 | 2019 | 2020 | 2021 | YTD 2022 | Total | N = |
|---------|---------------|------|------|------|------|-------------|-------|------|
| 10-25 | 5.7 | 6.0 | 6.1 | 5.9 | 6.1 | 6.3 | 5.8 | 1732 |
| 25-50 | 6.4 | 6.9 | 7.0 | 6.7 | 7.2 | 6.7 | 6.6 | 134 |
| 50-100 | 7.3 | 8.9 | 7.5 | 8.0 | 8.4 | 9.2 | 7.6 | 918 |
| 100-250 | 8.0 | 8.8 | 9.2 | 8.7 | 9.3 | 9.3 | 8.4 | 510 |
| Total | 6.5 | 7.2 | 7.1 | 7.0 | 7.4 | 7.4 | 6.7 | |
| N = | 2940 | 305 | 332 | 337 | 464 | 129 | | 4507 |

Please note that N for 2003-17 encompasses fifteen years of activity.

GF SOURCE: GF DATA® an ACG Company

YTD data is 6 months ending June 2022

AVERAGE MULTIPLES AND DEAL VOLUME



Note: 2022 Data are annualized

GF SOURCE: GF DATA® an ACG Company



Middle Market Quality Premium

QUALITY PREMIUM—BUYOUTS ONLY

| | 2003 -2017 | 2018 | 2019 | 2020 | 2021 | YTD 2022 | Total |
|--------------------------|---------------|------|------|------|------|-------------|-------|
| Above Average Financials | 6.6 | 7.8 | 7.6 | 7.7 | 8.0 | 7.7 | 7.1 |
| Other Buyouts | 6.1 | 6.4 | 6.2 | 6.1 | 6.1 | 6.1 | 6.2 |
| Premium(/Discount) | 108% | 123% | 121% | 126% | 131% | 126% | 115% |
| Incidence | 56% | 59% | 52% | 55% | 66% | 68% | 57% |



SOURCE: GF DATA® an ACG Company

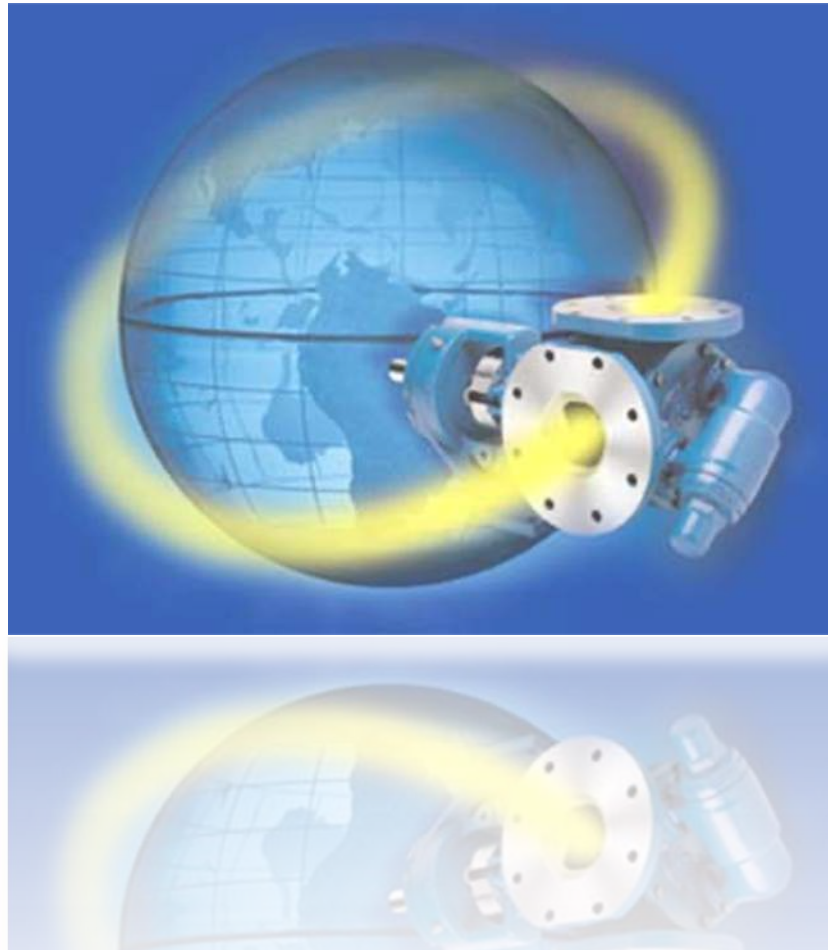
2022 data for 6 months ending June 2022



Macro Factors Impacting M&A Valuations

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

Fluid Handling Industry M&A Q3 2022 Update





M&A Activity Q3 2021 Update

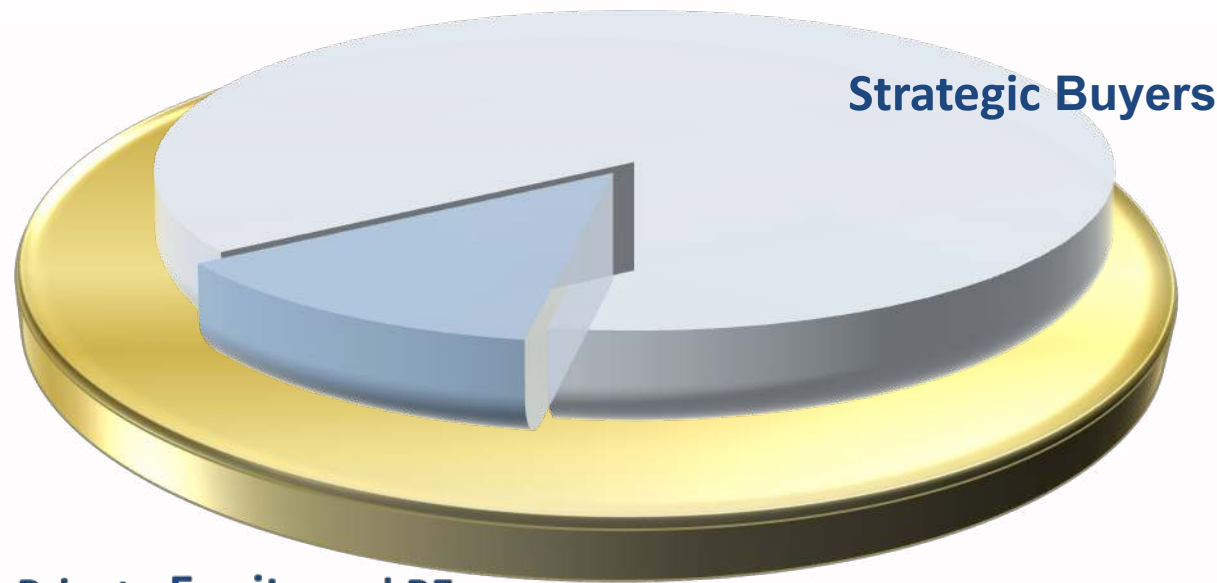
| Year | | Number of Deals |
|------|------------|-----------------|
| 2018 | Thru Q3 54 | 67 |
| 2019 | Thru Q3 56 | 71 |
| 2020 | Thru Q3 44 | 69 |
| 2021 | Thru Q3 76 | 102 |
| 2022 | Thru Q3 75 | 100 |

- While generally the M&A deal activity is declining sequentially the activity in the fluid handling industry has remained strong QoQ: Q1 -21 transactions, Q2 – 23 and Q3- 31.
- The activity is concentrated in that of the 43 companies making FHI acquisitions YTD, 11 companies who have done multiple transactions this year account for 64% of the activity.

Strategic Vs. Private Equity

YTD Q3 2022

75 Transactions



Private equity was involved in 17 deals on the buy-side - 22%

Private Equity and PE owned companies

Source: Global Equity Consulting, LLC Research



Deal Activity by Targeted Industries

YTD Q3 2022

| | Number of Transactions | Percentage |
|-------------|------------------------|------------|
| Diversified | 49 | 65% |
| Water | 20 | 27% |
| Other | 6 | 8% |
| Total | 75 | 100% |

Water continues to be industrial vertical of choice.

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Deal Activity by Targeted Geographies

YTD Q3 2022

| | YTD Q3 2021 | YTD Q3 2022 |
|---------------|-------------|-------------|
| North America | 54% | 56% |
| Europe | 42% | 36% |
| Row | 4% | 8% |

Despite the strong U.S. dollar North America remains the primary targeted geography.



M&A Activity – Most Active

YTD Q3 2022

| Company | Transactions | Company | Transactions |
|---------------------------|--------------|---------------------|--------------|
| Atlas Copco | 21 | CECO Environmental | 2 |
| Ingersoll Rand | 8 | Holland Pump | 2 |
| DXP Enterprises | 4 | May River Capital | 2 |
| United Flow Technologies | 4 | SPW Partners | 2 |
| AxFlow | 3 | Water is Life Group | 2 |
| Integrated Power Services | 3 | | |

Source: Global Equity Consulting, LLC Research



M&A Activity - Five Largest

YTD Q3 2022

| Company | Deal | Target | Value |
|-----------------------------------|-------------|-----------------------------------|---------------|
| Genuine Parts (Motion Industries) | Acquisition | Kaman Distribution | \$1.3 billion |
| Trelleborg | Acquisition | Minnesota Rubber and Plastics | \$950 million |
| Atlas Copco | Acquisition | Lewa and Geveke | \$685 million |
| Gorman Rupp | Acquisition | Fill-Rite | \$525 million |
| Ingersoll Rand Inc | Acquisition | SPX Flow (Air Treatment business) | \$525 million |

Source: Global Equity Consulting, LLC Research



Fluid Handling Industry Valuations

YTD Q3 2022 (Disclosed Valuations)

| Transaction Value | Deals | EV/Revenue Multiple Range | | Deals | EV/EBITDA Multiple Range |
|----------------------|-------|---------------------------|--|-------|--------------------------|
| ≥ \$ 1 billion | 1 | 1.2 | | 1 | 13.8 |
| \$500- \$999 million | 3 | 2.3 – 3.8 | | 2 | 10 – 15.2 |
| \$100- \$499 million | 2 | 1.5 - 5.3 | | | |
| \$50- \$99 million | | | | | |
| \$10 - \$49 million | 6 | 0.3 – 2.1 | | 1 | 6.4 |
| \$0 - \$9 million | 1 | 1.3 | | 1 | 8.3 |
| Median Values 2022 | 10 | 1.4 | | 4 | 10.0 |
| Median Values 2021 | 13 | 1.7 | | 4 | 10.4 |
| Median Values 2020 | 10 | 0.9x | | 3 | 5.3x |

Source: Global Equity Consulting, LLC Research



Fluid Handling Industry Deal Size

YTD Q3 2022 (Disclosed Valuations)

| | 2020 | 2021 | 2022 YTD Q3 |
|------------------|-------|--------|-------------|
| Median Deal Size | \$108 | \$84.5 | \$42.4 |
| Number | 15 | 29 | 18 |

Note: YTD 2022 there is a large gap in deal size with 8 transactions \$225 million and above and 10 transactions \$45 million and under

Source: Global Equity Consulting, LLC Research



Q3 2022 M&A Update – Thoughts

The key factors motivating buyers and sellers are still in place - however the question is: will macro economic factors cause buyers to pause or at least become highly selective in the deals they pursue?

- **An expectation of a short and shallow recession will likely have little impact**
- **A hard landing and doubts about the long term growth outlook will likely have a significant impact**

In our view the outlook for M&A deal activity and valuations will be driven primarily by the growth outlook more so than the impact of interest rates on the cost of capital – assuming the availability of capital is not significantly restricted – from a longer term perspective, debt capital costs are still at relatively low levels.



Questions & Answer Session

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