



# Fluid Handling Industry

**M&A Activity and Industry Performance  
Review of 2022  
Look Ahead to 2023**

March 2, 2023

© 2023 Global Equity Consulting, LLC. All Rights Reserved



# OVERVIEW

---

## Review of 2022

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

## A Look Ahead to 2023

- 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 2022

General M&A Review

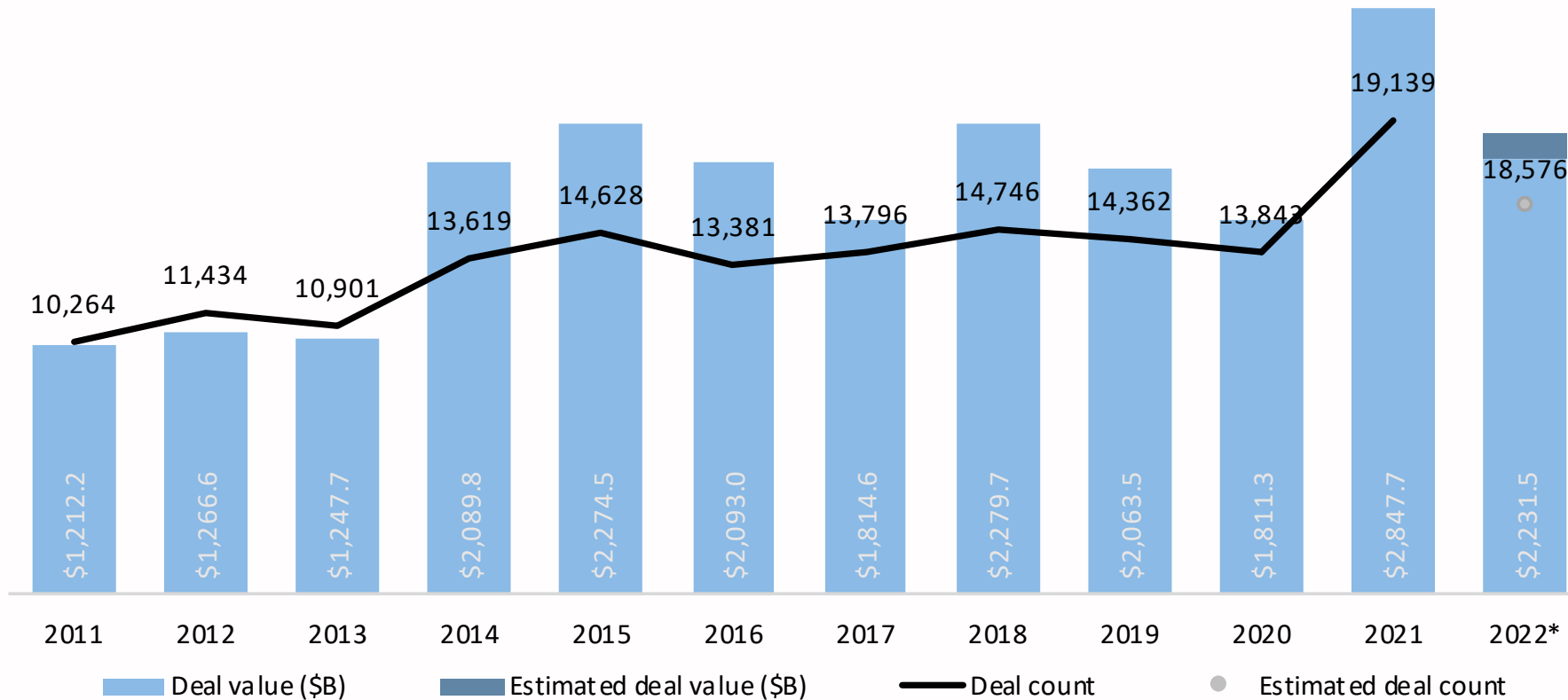
---

Industry M&A Review

---

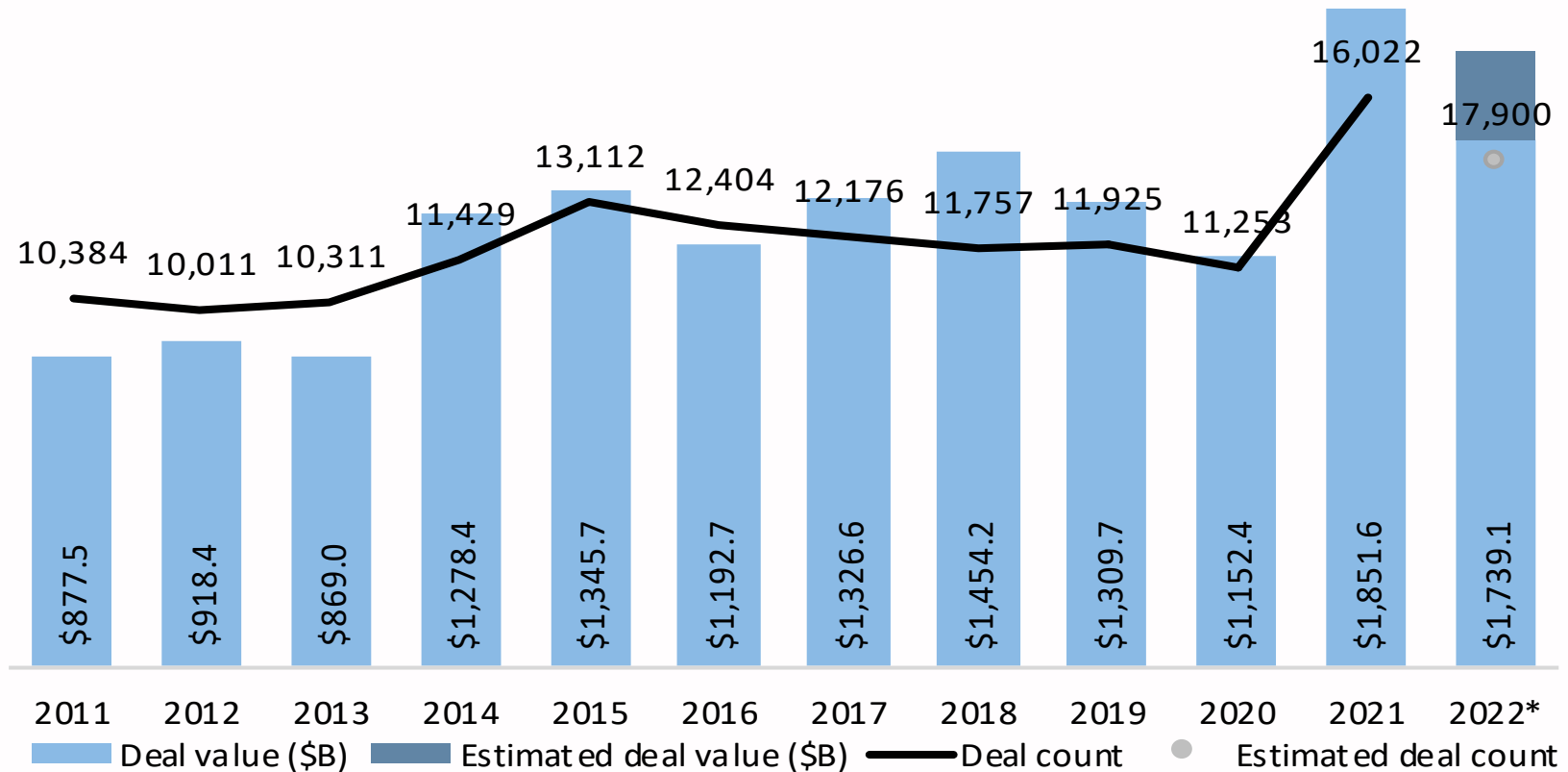


# North America M&A Activity



Source: PitchBook 2022 Annual Global M&A Report

# Europe M&A Activity



Source: PitchBook 2022 Annual M&A Report



# Macro Factors Impacting M&A Valuations

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

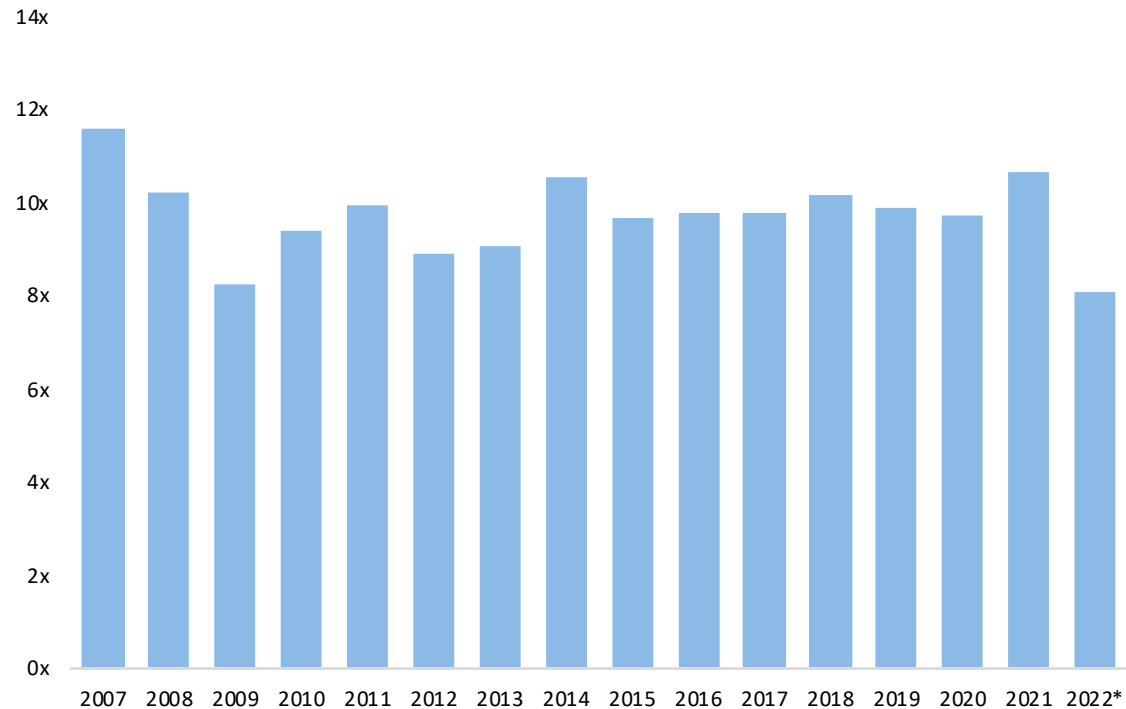


# Global Multiples for Strategic M&A

Global strategic M&A EV/EBITDA multiples

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
EV/EBITDA	11.6x	10.2x	8.3x	9.4x	9.9x	8.9x	9.1x	10.5x	9.7x	9.8x	9.8x	10.2x	9.9x	9.7x	10.6x	8.1x
Count	780	590	326	499	576	574	524	657	844	869	833	794	646	623	1019	524

\*As of 12/31/2022



Source: PitchBook 2022 Annual Global M&A Report



# Middle Market Private Equity Valuations

TEV	2003 – 2017	2018	2019	2020	2021	2022	Total	Number of Transactions
\$ 10M - \$ 25M	5.7x	6.0x	6.1x	5.9x	6.1x	6.5x	5.9x	1,792
\$ 25M - \$ 50M	6.4x	6.9x	7.0x	6.7x	7.2x	7.1x	6.6x	1,401
\$ 50M - \$ 100M	7.3x	8.9x	7.5x	8.0x	8.4x	8.6x	7.7x	965
\$ 100M - \$ 250M	8.0x	8.8x	9.2x	8.7x	9.3x	9.3x	8.5x	527
<b>Total</b>	<b>6.5x</b>	<b>7.2x</b>	<b>7.1x</b>	<b>7.0x</b>	<b>7.4x</b>	<b>7.5x</b>	<b>6.8x</b>	
Number of Transactions	2944	305	332	337	470	297		4,685

Source: GF Data February 2023 M&A Report Chart 1

# Middle Market Private Equity Valuations

TEV	1Q 2021	2Q 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Number of Transactions
\$ 10M - \$ 25M	6.3x	5.8x	6.0x	6.2x	6.6x	6.0x	7.4x	6.1x	256
\$ 25M - \$ 50M	7.1x	7.0x	7.6x	7.1x	6.7x	6.9x	7.8x	6.9x	240
\$ 50M - \$ 100M	7.9x	8.2x	9.2x	8.5x	8.8x	8.9x	8.6x	7.9x	163
\$ 100M - \$ 250M	9.2x	9.5x	9.5x	9.3x	9.3x	9.1x	12.8x	7.6x	108
<b>Total</b>	<b>7.3x</b>	<b>7.1x</b>	<b>7.6x</b>	<b>7.5x</b>	<b>7.5x</b>	<b>7.4x</b>	<b>8.2x</b>	<b>6.8x</b>	
Number of Transactions	126	93	79	172	92	71	70	64	767

Source: GF Data February 2023 M&A Report Chart 5



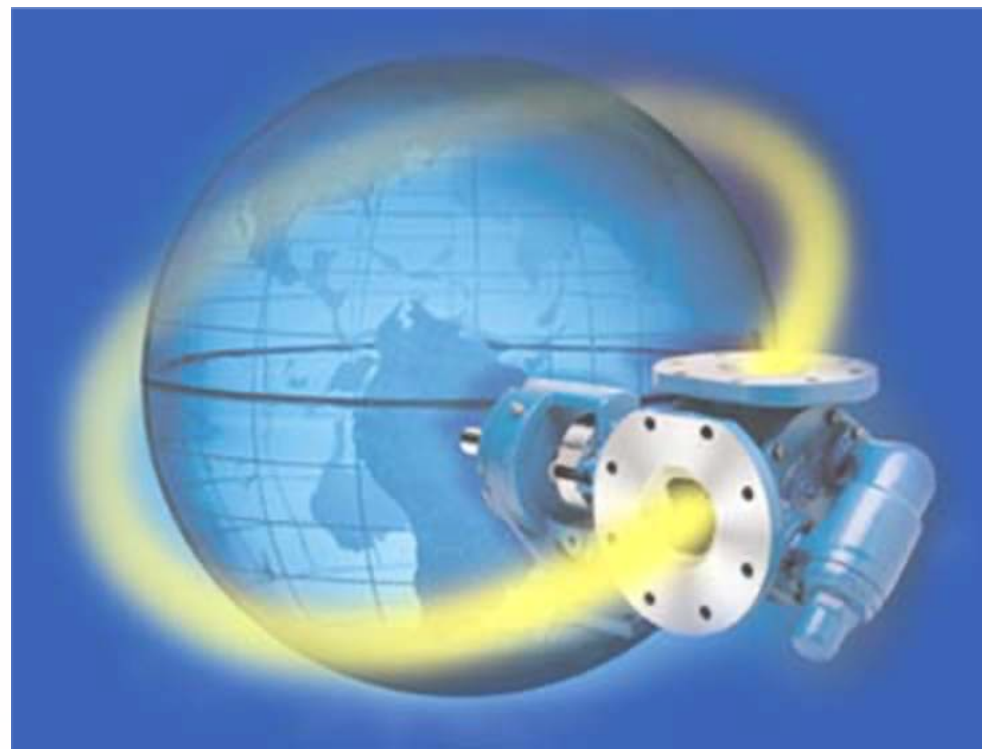
# Middle Market Quality Premium

	2003 – 2017	2018	2019	2020	2021	2022	Total
Above Average Financials	6.6x	7.8x	7.6x	7.7x	8.1x	7.9x	<b>7.1x</b>
Other Buyouts	6.1x	6.4x	6.2x	6.1x	6.1x	6.3x	<b>6.2x</b>
Premium / (Discount)	108%	123%	121%	126%	132%	124%	<b>115%</b>
Incidence	56%	58%	51%	54%	64%	68%	<b>57%</b>

Source: GF Data February 2023 M&A Report Chart 9



# Fluid Handling Industry M&A Review 2022





# M&A Activity 2022

Year	Number of Deals
2018	67
2019	71
2020	69
2021	102
2022	105

- **2022 - second record year back to back despite the macro headwinds.**
- **The quarterly deal count may (or may not) show the start of a sequential decline in deal activity:**
  - Q1 – 23 transactions
  - Q2 – 24
  - Q3 – 37
  - Q4 – 21
- **There were 52 companies who accounted for the 105 transactions**
- **The activity is somewhat concentrated in that the 14 companies who did multiple transactions in 2022 account for 65% of the activity.**

Source: Global Equity Consulting, LLC Research



# Deal Activity by Targeted Industries 2022

	Number of Transactions	Percentage
Diversified	71	68%
Water	23	22%
Oil & Gas	2	2%
Hygienic	1	1%
Other	6	6%
<b>Total</b>	<b>105</b>	<b>100%</b>

**Water continues to be the most sought after target industry by a wide margin**

Source: Global Equity Consulting, LLC Research



# Deal Activity by Types of Business 2022

	Number of Transactions	Percentage
Manufacturing	64	61%
Distribution, Distribution & Service	29	28%
Service	12	11%
Total	105	100%

**Manufacturing is the predominate type of business targeted.**

**However various types of service business from pump rental to engineering services are becoming more prevalent**

Source: Global Equity Consulting, LLC Research





# Deal Activity by Targeted Geographies

Area	2020	2021	2022
North America	44%	54%	53%
Europe	49%	40%	39%
Row	7%	6%	8%

We have seen a change in mix of targeted geographies over the last three years with European targets dropping 10 points as a percentage of target locations.

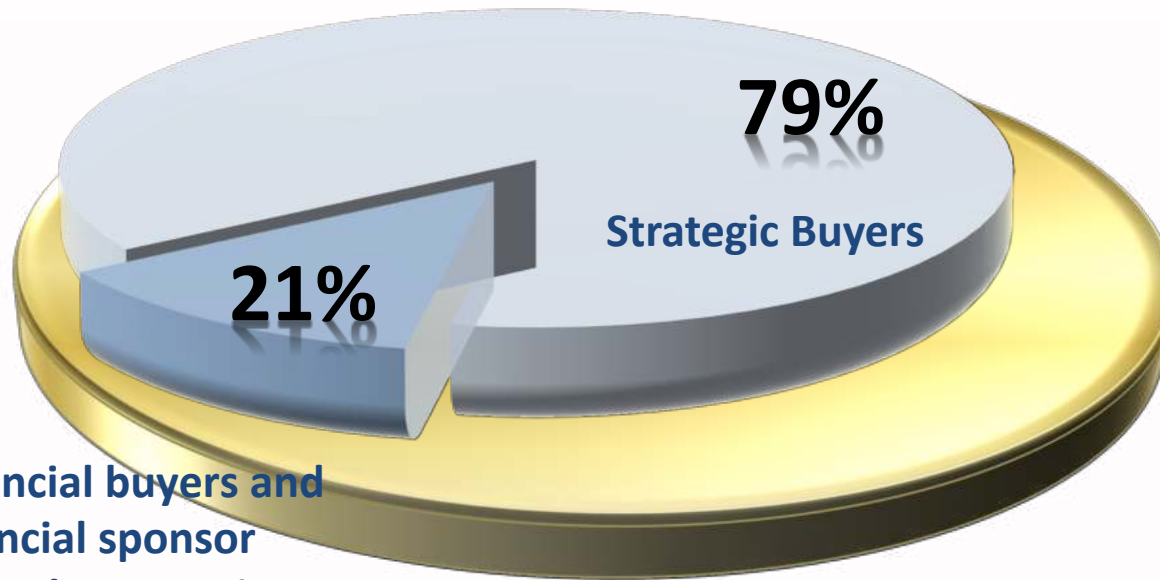
Emerging markets have not been significant target geographies for M&A. However we are starting to see deals in China and India

Source: Global Equity Consulting, LLC Research

# Strategic Vs. Financial Sponsor Buyers - 2022

## Most Active Financial Sponsors in 2022

- H.I.G. Capital
- May River Capital
- Searchlight Capital
- SFW Capital
- XPV Water Partners



Financial buyers and financial sponsor backed Companies

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

In overall M&A transactions financial sponsors account for approximately 35% of acquisition activity.

Source: Global Equity Consulting, LLC Research



# Most Active 2022

Company	Transactions	Company	Transactions
Atlas Copco	26	United Flow Technologies	4
Ingersoll Rand	10	CECO Environmental	3
AxFlow	4	Integrated Power Services	3
DXP	4		
Seven companies made 2 acquisitions Dover, Holland Pump, Indutrade, May River Capital, SPW Partners, Trelleborg, Water is Life Group			

Source: Global Equity Consulting, LLC Research



# Five Largest Transactions 2022

Company	Transaction	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	Acquisition	SPX Flow (Air Treatment business)	\$525 million

Source: Global Equity Consulting, LLC Research



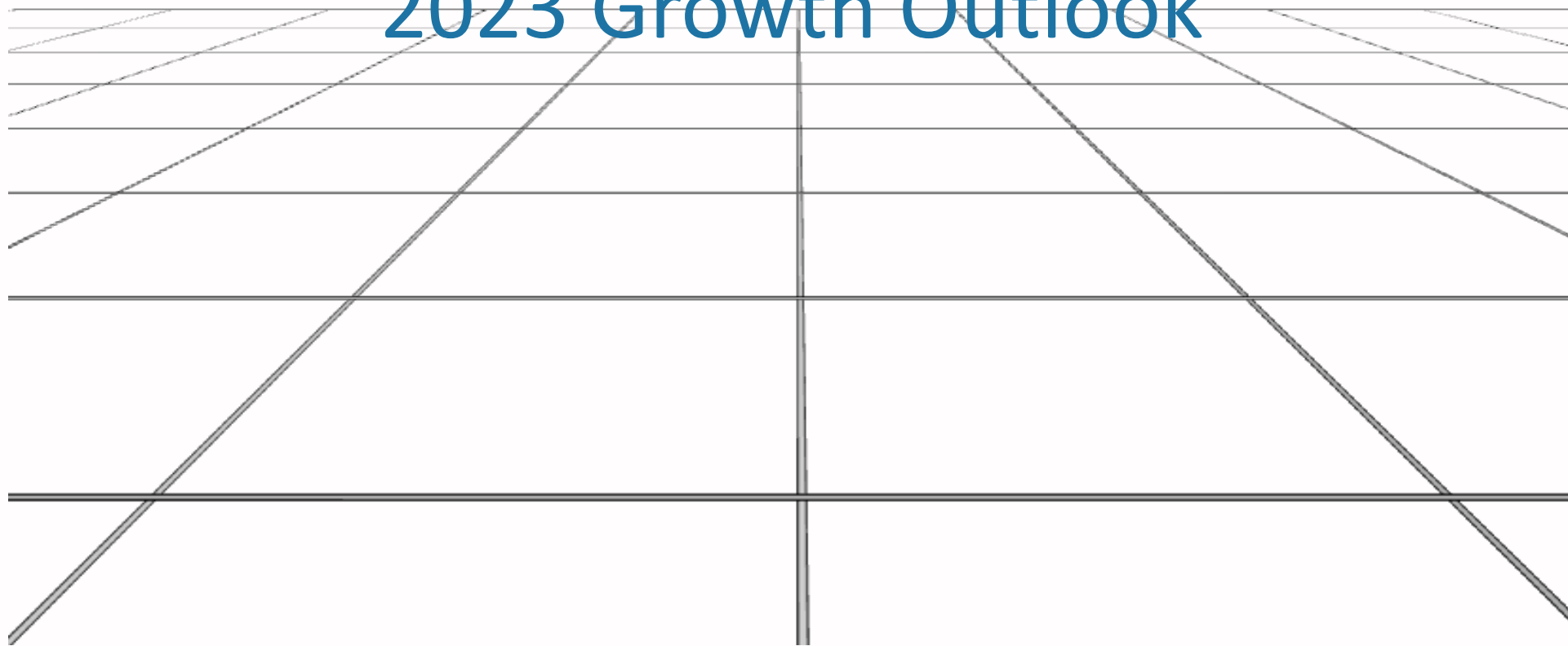
# Fluid Handling Industry Valuations 2022 (Disclosed Valuations)

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	10.0 – 15.2
\$100- \$499 million	2	1.5 – 5.3		
\$50- \$99 million				
\$10 - \$49 million	5	0.3 – 2.1	1	6.4
\$0 - \$9 million	1	1.3	1	8.3
Median Values 2022	12	1.4x	5	10.0x
Median Values 2021	13	1.7x	4	10.4x
Median Values 2020	10	0.9x	3	10.8x

Source: Global Equity Consulting, LLC Research



# Fluid Handling Industry Key Statistics 2022 2023 Growth Outlook





# Fluid Handling Industry 2022 Statistics

## CCA Worldwide Pool of Public Fluid Handling Industry Companies

Metric	Median Value
Market Cap	\$3.7 billion
Revenue	\$2.6 billion
EBITDA Margin	14.1%
EV/Rev	1.6x
EV/EBITDA	11.7x

Notes:  
Statistics for individual companies are YE 31 Dec 2022  
Revenue - amount recorded as net sales for the period  
EBITDA margin is based on reported 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 Statistics 2022

Metric	TTM (median)	NTM (median)
Revenue Growth	16.0%	7.1%
EPS (adjusted) Growth	20.7%	12.4%

Notes:

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

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





# Looking Ahead

## M&A Outlook - 2023





# Thoughts on Fluid Handling Industry M&A 2023

- While we no longer have the “perfect storm” of factors driving M&A activity and valuations, clearly there are still motivated buyers and willing sellers.
- The strategic buyers do not seem to have altered their thinking in regard to acquisitions: those who have had acquisitions as part of their strategic growth and capital allocation plans for the most part have not paused or abandoned those plans. However, they are likely to have a heightened level of caution.
- Private Equity firms still have significant dry powder to put work. On the other hand, senior debt lenders are reportedly more cautious which seems to be a factor inclining financial sponsors toward add-ons to existing platforms vs. new platforms.
- We expect the key question for M&A in 2023 will be: to what degree will valuations will be impacted by a buyer’s view of growth rates going forward and their risk adjusted cost of capital - and to what extent that creates a valuation gap between buyers and sellers that becomes an impediment to transactions.
- It would seem reasonable to expect M&A deal activity in our industry to revert toward the mean in 2023 - to what degree will depend on buyers outlook for growth and how that outlook impacts their view of risk.



# Questions & Answer Session

Thomas E. Haan

[thaan@globalequityconsulting.net](mailto:thaan@globalequityconsulting.net)

thaan@city-cap.com

(269) 385-5186

globalequityconsulting.net

City-cap.com