



Global Equity Consulting, LLC

Fluid Handling Industry

Q3 2023 Update of M&A Activity

October 18, 2023

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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.





Fluid Handling Industry

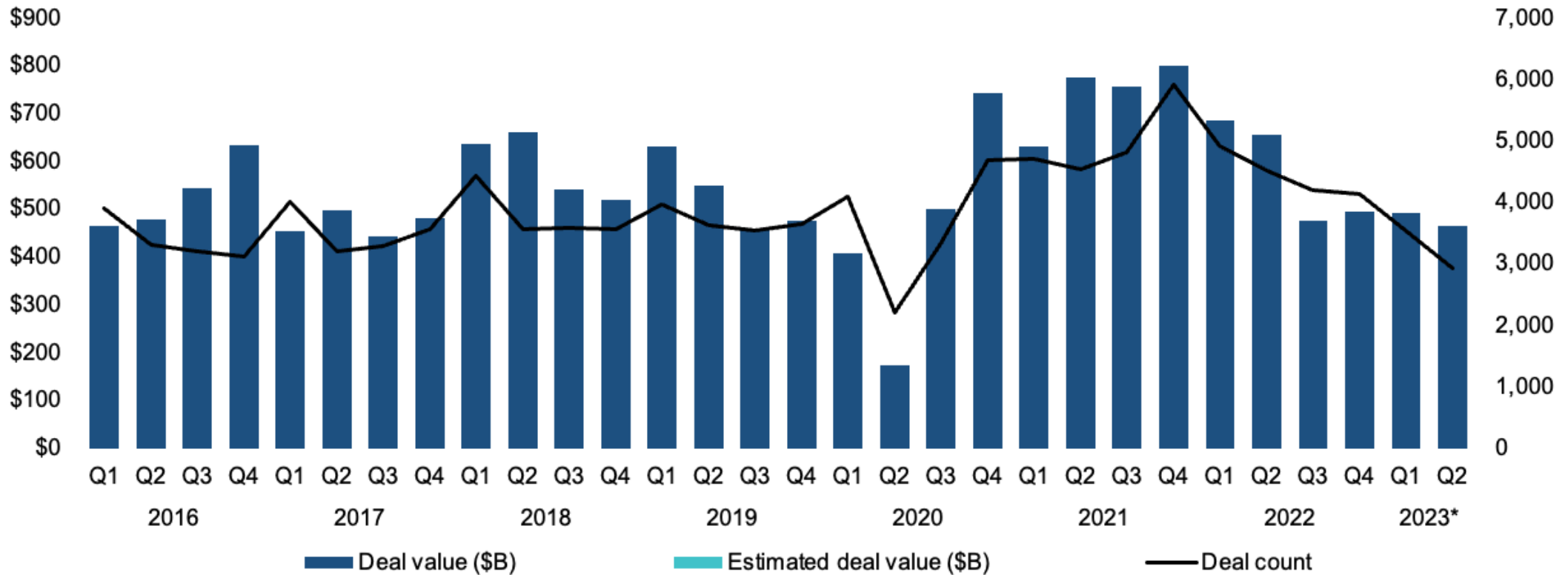
M&A Activity Q3 Update 2023

General M&A Review



M&A Activity North America

North America M&A activity by quarter

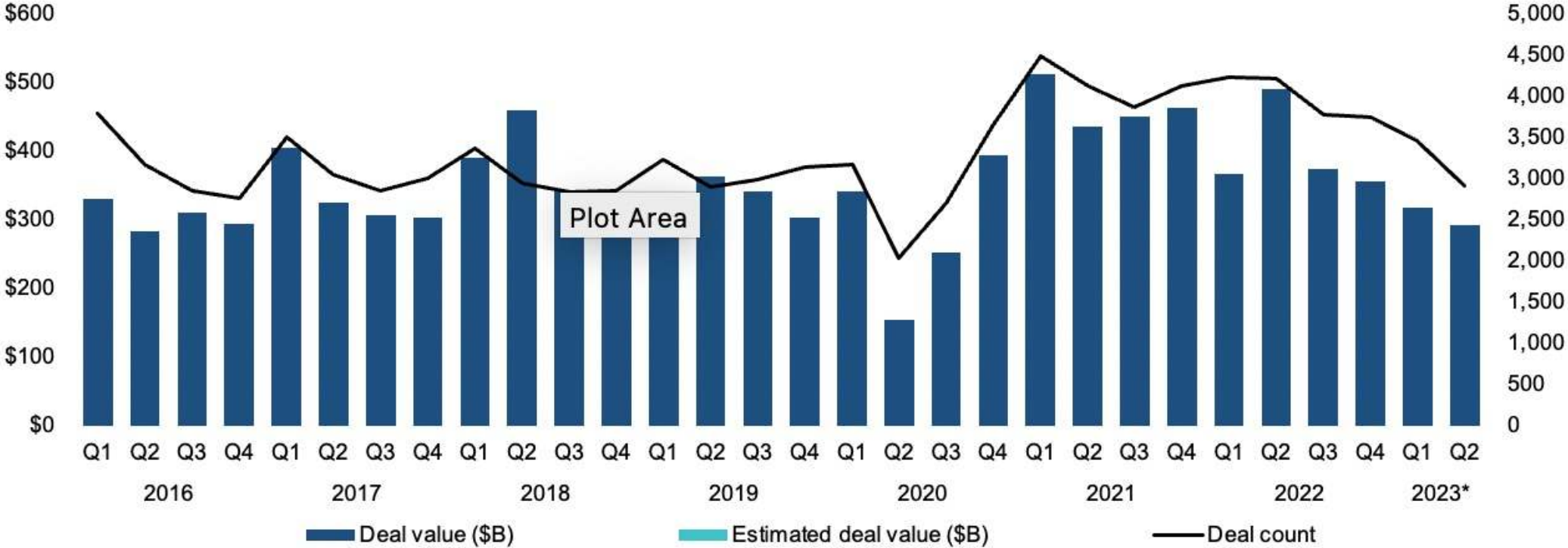


*As of 6/30/2023

Source: Pitchbook Q2 2023 M&A Report

M&A Activity Europe

Europe M&A activity by quarter



*As of 6/30/2023

Source: Pitchbook Q2 2023 M&A Report

Middle Market Private Equity Valuations

TOTAL ENTERPRISE VALUE (TEV)/EBITDA

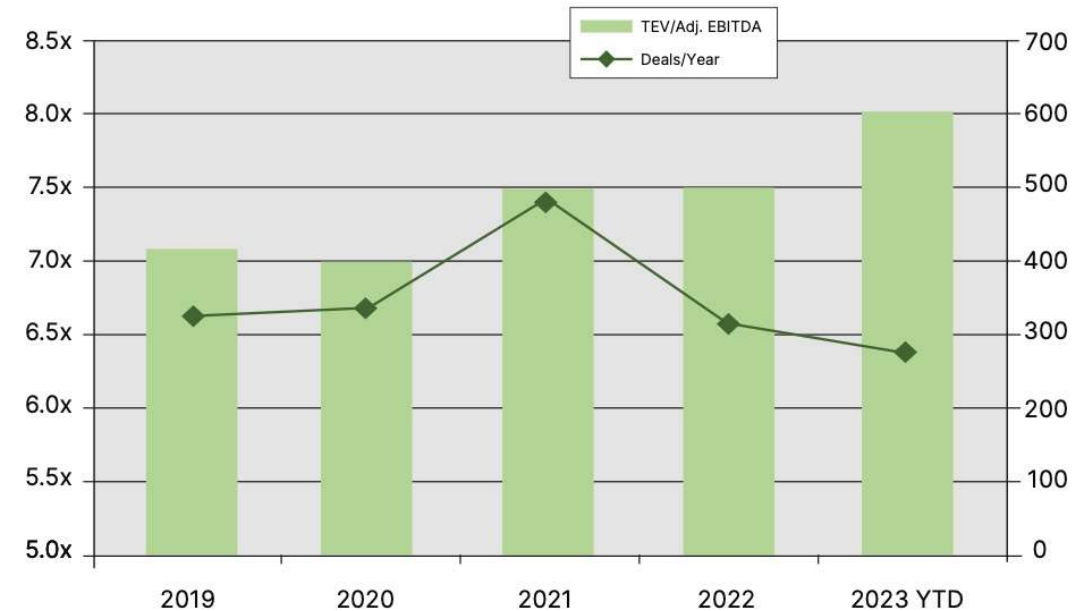
TEV	2003-2018	2019	2020	2021	2022	YTD 2023	Total	N =
10-25	5.8	6.1	5.9	6.1	6.5	5.7	5.9	1848
25-50	6.5	7.0	6.7	7.2	7.1	7.1	6.7	1446
50-100	7.5	7.5	8.0	8.3	8.5	7.7	7.7	997
100-250	8.1	9.2	8.7	9.3	9.1	9.6	8.5	549
250 - 500	8.9	11.0	11.6	10.9	10.1	10.3	10.0	74
Total	6.6	7.1	7.0	7.6	7.6	7.2	6.8	
N =	3276	335	341	499	328	135		4914

Please note that N for 2003-18 encompasses 16 years of activity..

GF SOURCE: GF DATA® an ACG Company

YTD data is 6 months ending June 2023

AVERAGE MULTIPLES AND DEAL VOLUME



2023 YTD is annualized.

GF SOURCE: GF DATA® an ACG Company

Middle Market Quality Premium

QUALITY PREMIUM—BUYOUTS ONLY

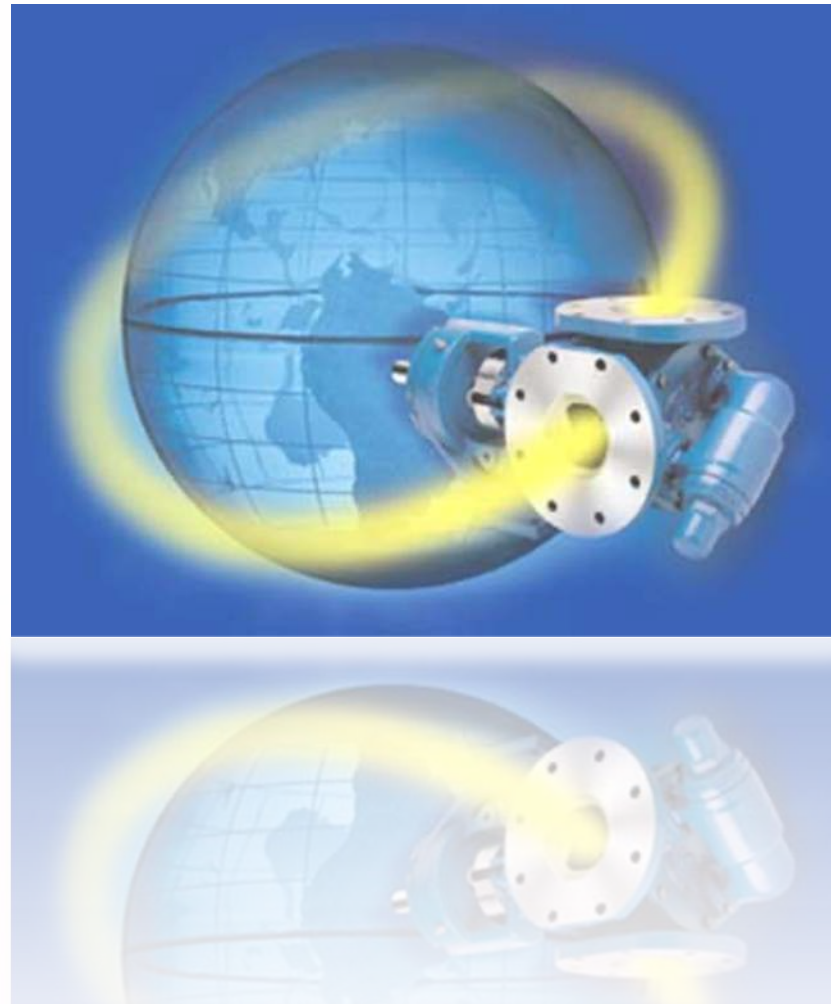
	2003 -2018	2019	2020	2021	2022	YTD 2023	Total
Above Average Financials	6.7	7.6	7.7	8.2	7.9	7.4	7.1
Other Buyouts	6.2	6.3	6.2	6.4	6.5	6.8	6.2
Premium(/Discount)	109%	121%	124%	127%	122%	108%	114%
Incidence	56%	51%	54%	63%	67%	51%	57%

GF SOURCE: GF DATA® an ACG Company

2023 data for 6 months ending June 2023



Fluid Handling Industry M&A Q3 2023 Update





M&A Activity Q3 2023 Update

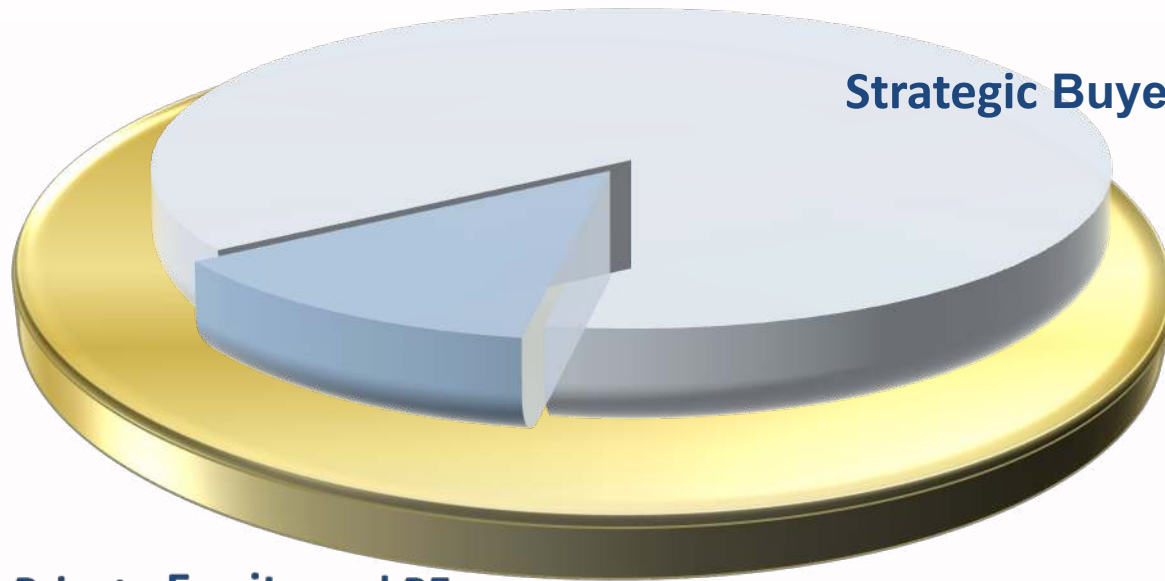
Year		Number of Deals
2019	Thru Q3 56	71
2020	Thru Q3 44	69
2021	Thru Q3 76	102
2022	Thru Q3 75	100
2023	Thru Q3 71	85 projected

Deal activity was strong in Q1 (29 transactions and Q2 (28 transactions) 2023 but declined 50% in Q3 (14 transactions)

Strategic Vs. Private Equity

YTD Q3 2023

71 Transactions



Private Equity and PE
owned companies

Private equity was
involved in 23 deals on
the buy-side - 32%

Up from typical range of
20% to 25%.

Virtually all of the
activity was in 1st half

Source: Global Equity Consulting, LLC Research



Deal Activity by Targeted Industries

YTD Q3 2023

	Number of Transactions	Percentage
Diversified	36	51%
Water	18	25%
Hydrocarbon Processing	4	6%
Other	13	18%
Total	71	100%

Water continues to be industrial vertical of choice.

But we are also seeing a wider range of target industries including: medical, transportation, power and sanitary (food and pharmaceutical) and mining



Deal Activity by Targeted Geographies

YTD Q3 2023

	YTD Q3 2022	YTD Q3 2023
North America	56%	70%
Europe	36%	21%
ROW	8%	9%

There has been a dramatic shift in the share of target locations toward North America and away from Europe from 2022 to 2023.



M&A Activity – Most Active

YTD Q3 2023

Company	Transactions	Company	Transactions
Atlas Copco	11	Klinger Group	2
Ingersoll Rand	3	Motion Control Enterprises	2
AESSEAL	2	Timken	2
CECO Environmental	2		
DXP Enterprises	2		
Flexaseal	2		

Source: Global Equity Consulting, LLC Research



M&A Activity - Five Largest

YTD Q3 2023

Company	Deal	Target	Value
Xylem	Acquisition	Evoqua	\$7.5 billion
Chart Industries	Acquisition	Howden Group	\$4.4 billion
Kohlberg Kravis and Roberts KKR	Acquisition	CIRCOR International	\$1.8 billion
Hillenbrand	Acquisition	Schenck Food and Performance Materials	\$730 million
Honeywell	Acquisition	Compressor Controls Corp	\$670 million

Source: Global Equity Consulting, LLC Research



Fluid Handling Industry Valuations

YTD Q3 2023 (Disclosed Valuations)

Transaction Value	Deals	EV/Revenue Multiple Range		Deals	EV/EBITDA Multiple Range
≥ \$ 1 billion	2	2.3 – 3.7		2	11.7 – 12.9
\$500- \$999 million	1	1.4		2	10.7 – 15.0
\$100- \$499 million	2	0.6 – 2.6		1	11.7
\$50- \$99 million					
\$10 - \$49 million	1	1.6			
\$0 - \$9 million					
Median Values 2023	7	1.9		5	11.7
Median Values 2022	10	1.4		4	10.0
Median Values 2021	13	1.7		4	10.4

Source: Global Equity Consulting, LLC Research



Fluid Handling Industry Deal Size – Transaction Value

YTD Q3 2023 (Disclosed Valuations)

	2020	2021	2022	YTD Q3 2023
Median Deal Size	\$108	\$84.5	\$42.4	\$300.0
Number	15	29	18	9

Source: Global Equity Consulting, LLC Research



Key Factors Impacting M&A Activity and Valuations

- 1) Level of demand for quality acquisitions – companies seek acquisitions for a variety of strategic reasons: technology, markets, geography, scale, people, etc.
- 2) Cost of capital – weighted average of debt and equity
- 3) Growth outlook



Key Factors Impacting M&A Activity and Valuations

In the last few years we have had near perfect M&A conditions - all green lights. So where are we today?

- 1) Level of demand for quality acquisitions – **Strong**
- 2) Cost of capital – weighted average of debt and equity - **Mixed**
- 3) Growth outlook - **Cautious**



Q3 2023 M&A Update

Key Takeaways

Key factors driving M&A activity have softened with varying degrees of impact

- Financial Sponsors face headwinds
- Target activity more focused on North America
- Corporate buyers still active and competitive



Q3 2023 M&A Update – Thoughts

Companies who have inorganic growth as a key part of their strategic growth plan will continue seeking quality acquisitions.

Assuming interest costs are stable to declining going forward the primary factors impacting M&A activity and valuations are likely to be:

- Growth expectations – ITR now projecting a recession in 2024 with growth returning in 2025
- Risk factors including geopolitical factors

Large deal activity will likely be more impacted than lower middle market deals that are more bolt-on in nature vs. transformative.

Trend toward acquisition of companies active in enhancing the productivity of end-users is likely to continue – smaller, more stable demand, less capital intense, strong margins.



Questions & Answer Session

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