



Fluid Handling Industry

M&A Activity and Industry Performance Review of 2023 Look Ahead to 2024

28 February 2024

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OVERVIEW

Review of 2023

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

A Look Ahead to 2024

- M&A Outlook
- Industry Key Statistics and 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** Durametall 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 2023

General M&A Review

Industry M&A Review



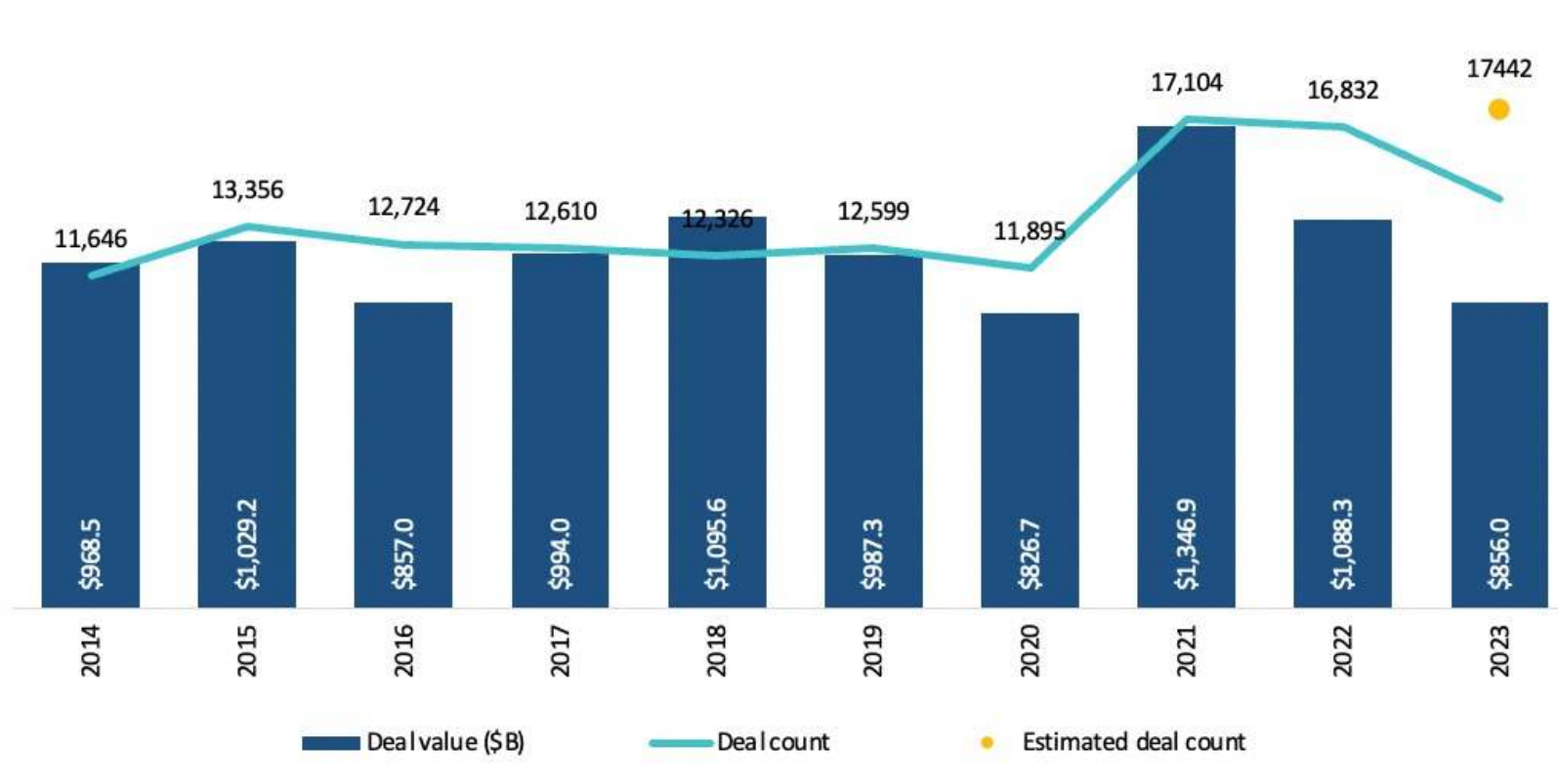
North America M&A Activity



As of 31 December 2023

Source: PitchBook 2023 Annual Global M&A Report

Europe M&A Activity



As of 31 December 2023

Source: PitchBook 2023 Annual M&A Report



Macro Factors Impacting M&A Valuations

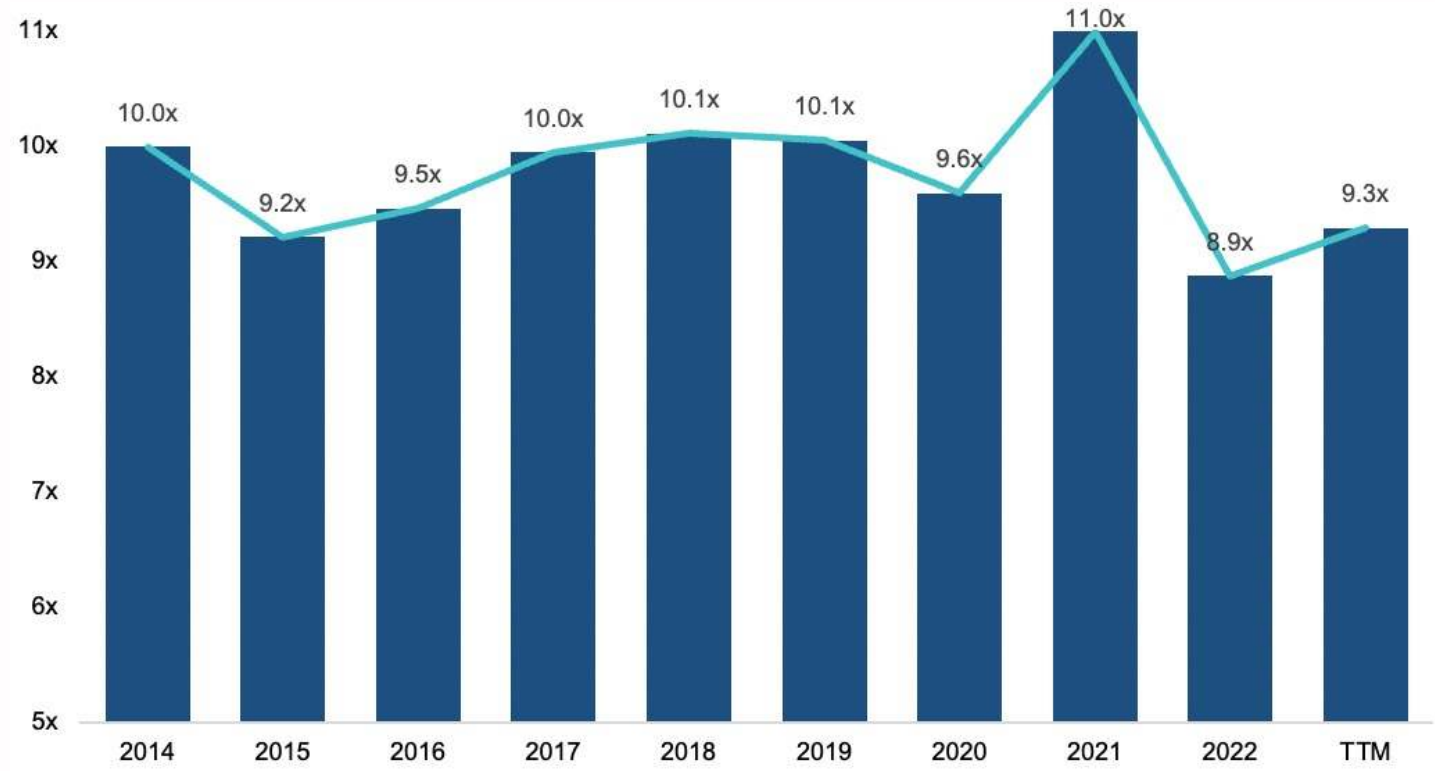
1. Level of demand for quality acquisitions
2. Cost of capital (Risk Adjusted)
3. Growth outlook

Currently:

- The strategic factors driving demand are still at work creating a competitive market for quality opportunities
- Interest rate increases have increased the cost of capital and availability of debt has caused private equity to increase the equity capital they put into deals. If interest rates decline in the 2nd half of 2024 that will likely be supportive of valuation levels.
- Short term growth outlook has softened which puts more focus on cost synergies and favors the longer time horizon of strategic buyers.



Global EV/EBITDA Multiples 2023



As of 31 December 2023

Source: PitchBook 2023 Annual Global M&A Report

Middle Market Private Equity Valuations

Total Enterprise Value (TEV)/EBITDA TTM Adjusted EBITDA

TEV	2003 – 18*	2019	2020	2021	2022	2023	Total	Number of Transactions
\$ 10M - \$ 25M	5.8x	6.1x	5.9x	6.1x	6.5x	6.0x	5.9x	1,905
\$ 25M - \$ 50M	6.5x	7.0x	6.7x	7.2x	7.0x	7.1x	6.7x	1,480
\$ 50M - \$ 100M	7.5x	7.5x	8.0x	8.3x	8.5x	8.0x	7.7x	1,027
\$ 100M - \$ 250M	8.1x	9.2x	8.7x	9.3x	9.1x	9.8x	8.5x	565
\$250M - \$500M	8.9x	11.0x	10.4	10.9	10.1x	10.7x	10.0x	77
Total	6.6x	7.1x	7.0x	7.6x	7.6x	7.3x	6.8x	
Number of Transactions	3276	335	342	501	331	269		5,054

*2013-18 encompasses 16 years of activity

Source: GF DATA® an ACG Company February 2024 M&A Report Chart 1



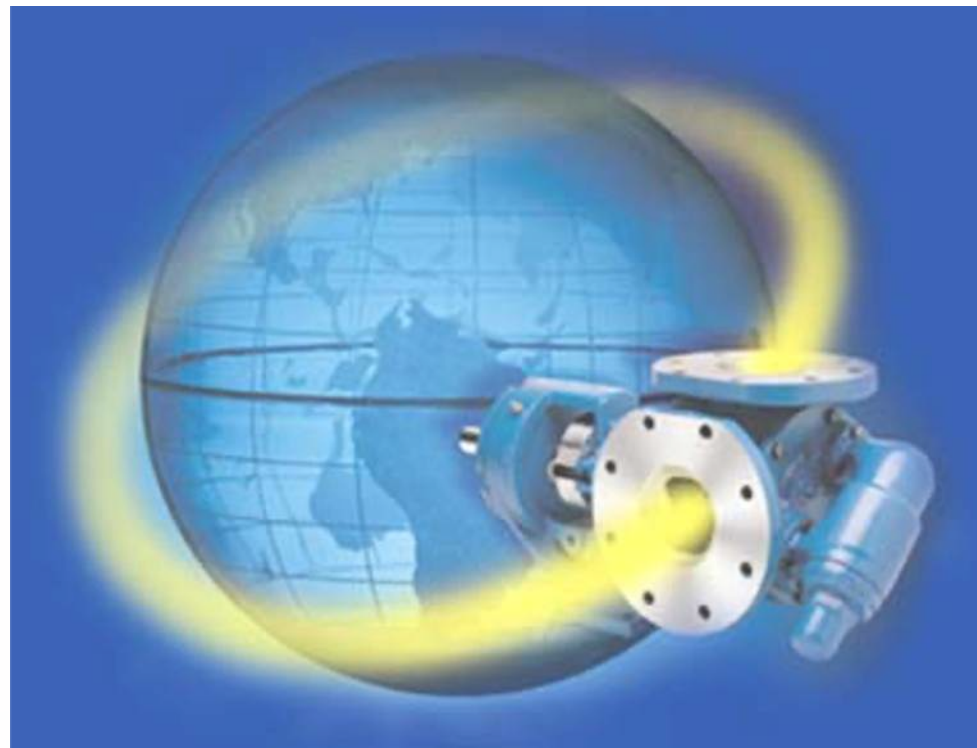
Middle Market Quality Premium

	2003 – 18	2019	2020	2021	2022	2023	Total
Above Average Financials	6.7x	7.6x	7.7x	8.2x	7.9x	8.2x	7.2x
Other Buyouts	6.2x	6.3x	6.2x	6.4x	6.5x	6.5	6.2x
Premium / (Discount)	109%	121%	127%	127%	122%	128%	115%
Incidence	56%	51%	55%	63%	66%	48%	57%

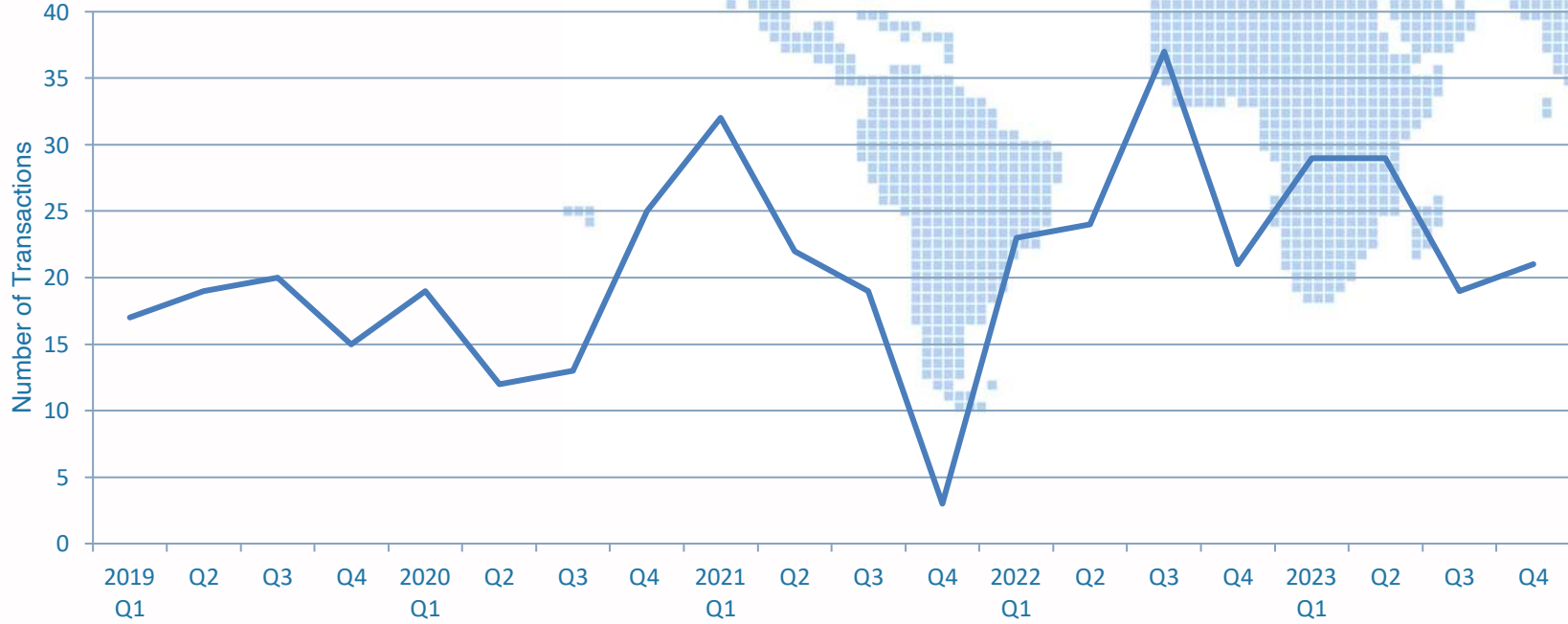
Source: GF DATA® an ACG Company February 2024 M&A Report Chart 10



Fluid Handling Industry M&A Review 2023



Fluid Handling Industry M&A Activity



Overall deal activity was down 7% with strong activity in the 1st half that declined significantly in Q3 with a small uptick in Q4

Total for the year:

71

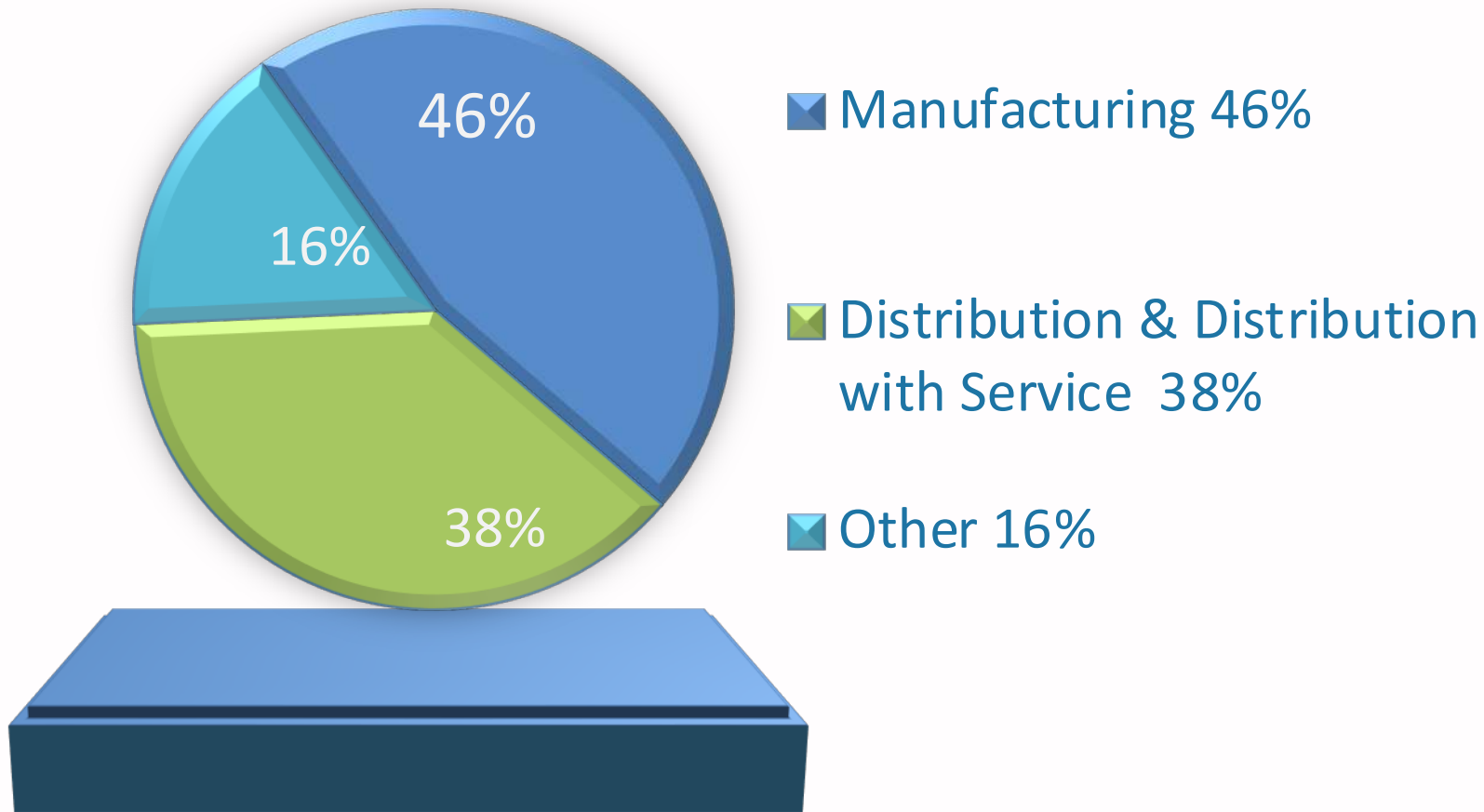
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76

105

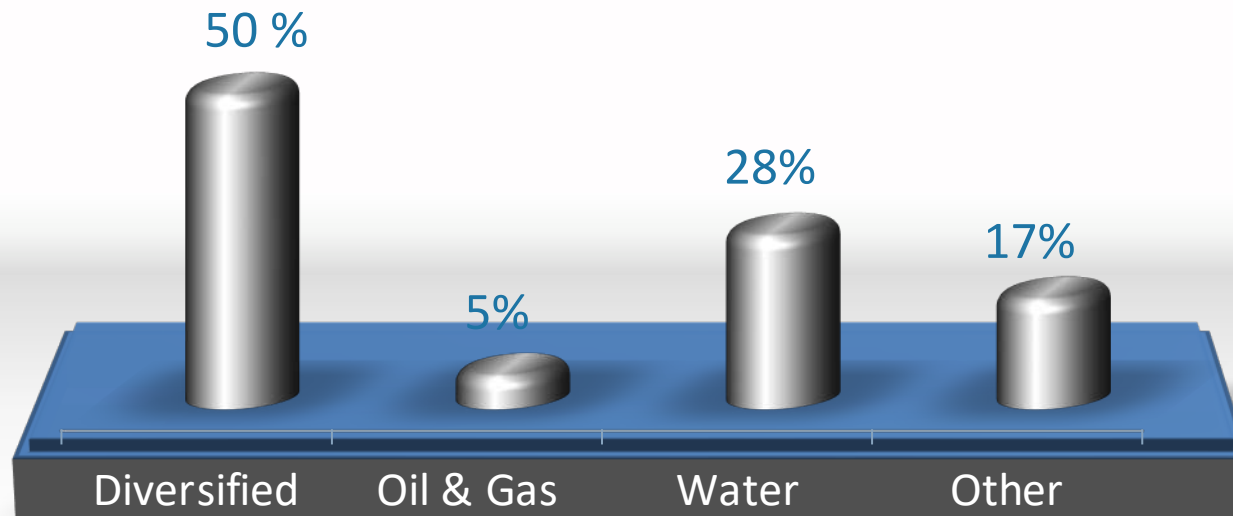
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Deal Activity by Types of Businesses 2023



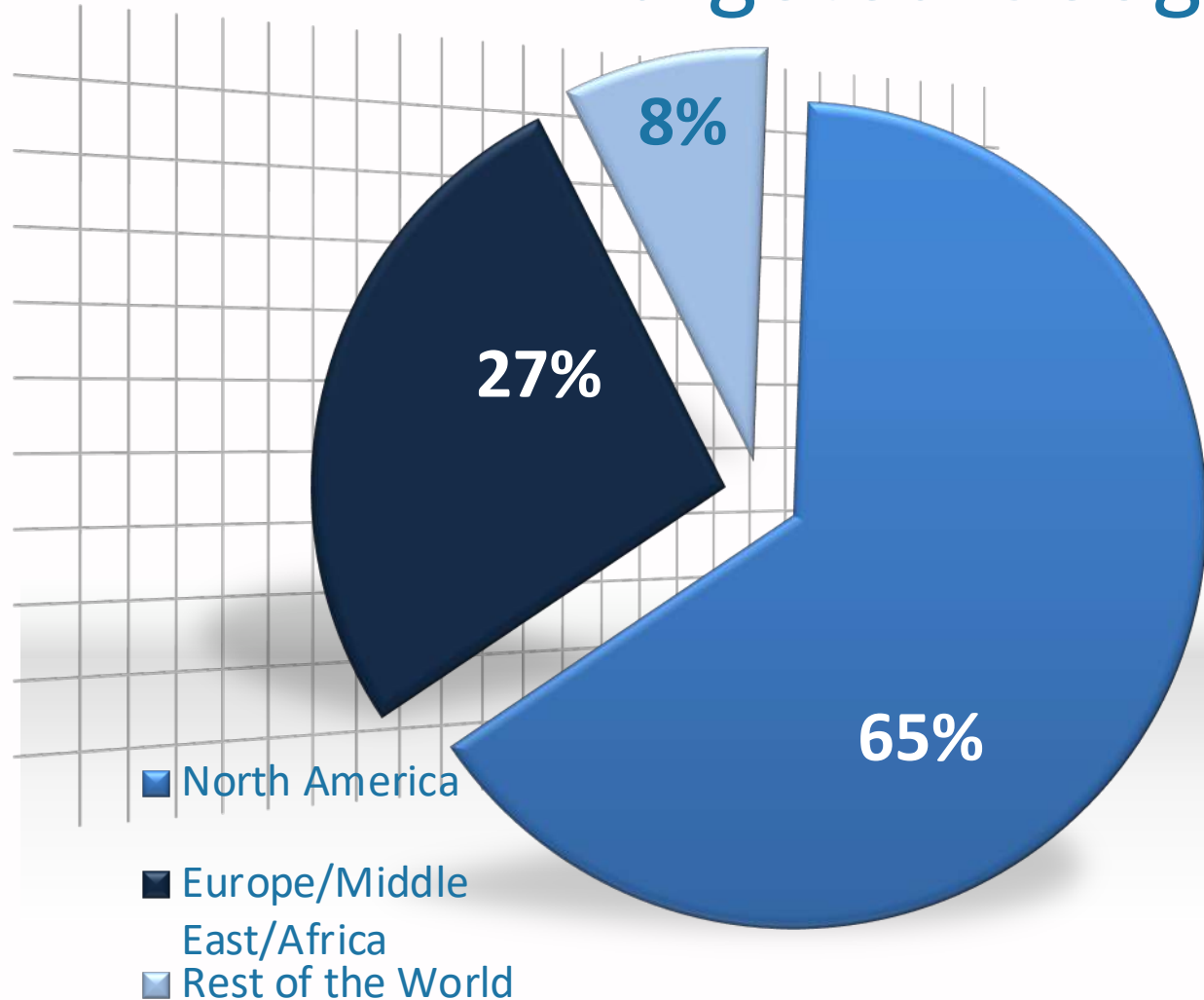
There was strong activity in distribution and distribution with service businesses in 2023 up to 38% of deals from 28% in 2022.

Fluid Handling Industry M&A Activity by Target Industry 2023



Slight uptick in O&G activity in 2023. More discussion about LNG and cryogenics so going forward there could be more activity in companies serving those markets

2023 Deal Activity by Targeted Geographies



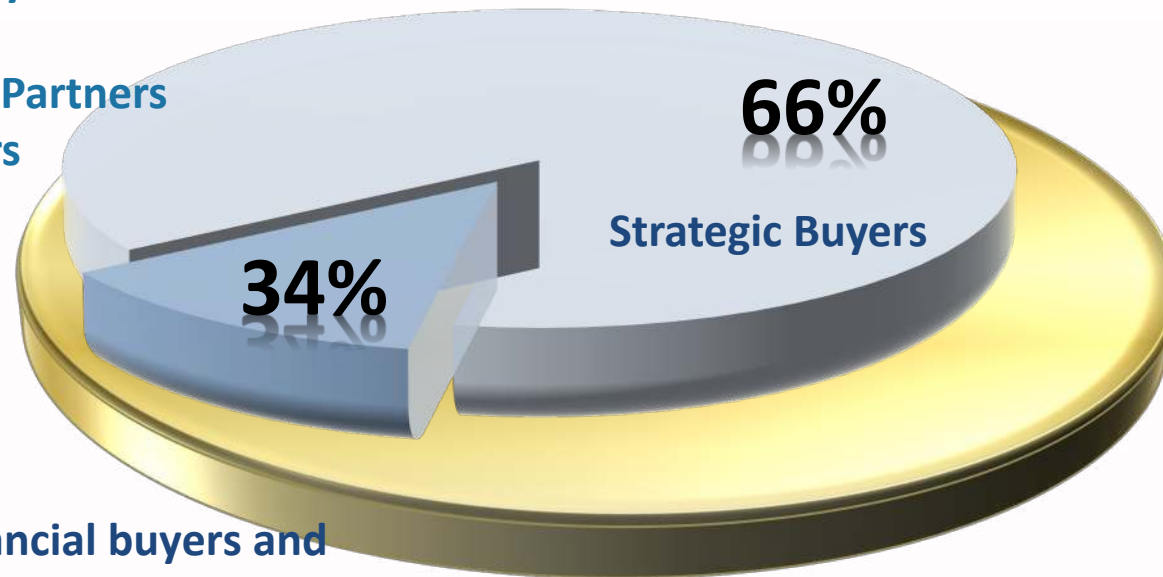
Trend has been toward more North American targets over the last three years. Growing from 44% in 2020 to 63% in 2023.

Source: Global Equity Consulting, LLC Research

Strategic vs. Financial Sponsor Buyers - 2023

Most Active Financial Sponsors in 2023

- 3i
- AEA Investors
- Frontenac Company
- H.I.G. Capital
- Soundcore Capital Partners
- 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 accounted for 34% of acquisition activity.

There were 15 financial sponsor exits in 2023

Source: Global Equity Consulting, LLC Research



Most Active in Fluid Handling Transactions in 2023

Company	Transactions	Company	Transactions
Atlas Copco	14	DXP	3
Ingersoll Rand	5	AES	3
Timken	4		
Five companies made 2 acquisitions CECO Environmental, Flexaseal, Klinger, Motion Control, United Flow Technologies			

Most Active in 2022 (14 companies) made 68 acquisitions

Source: Global Equity Consulting, LLC Research



Five Largest Fluid Handling M&A Transactions 2023

Company	Transaction	Target	Value
Xylem	Acquired	Evoqua	\$7.5 bn
Chart Industries	Acquired	Howden Group Ltd.	\$4.4 bn
Kohlberg Kravis Roberts (KKR)	Acquired	CIRCOR International	\$1.8 bn
Hillenbrand	Acquired	Schenck Food and Performance Materials Business	\$730 m
Honeywell	Acquired	Compressor Controls	\$670 m

Source: Global Equity Consulting, LLC Research



Next Five Largest Fluid Handling M&A Transactions 2023

Company	Transaction	Target	Value
Dover Corp	Acquired	FE Murphy Production Controls	\$530 m
ITT	Acquired	Svanehøj Group	\$395 m
Ingersoll Rand	Acquired	Howden Roots	\$300 m
IDEX Corp.	Acquired	Superior Technical Ceramics (STC)	\$206 m
Ingersoll Rand	Acquired	EcoPlant	\$50 m

Source: Global Equity Consulting, LLC Research



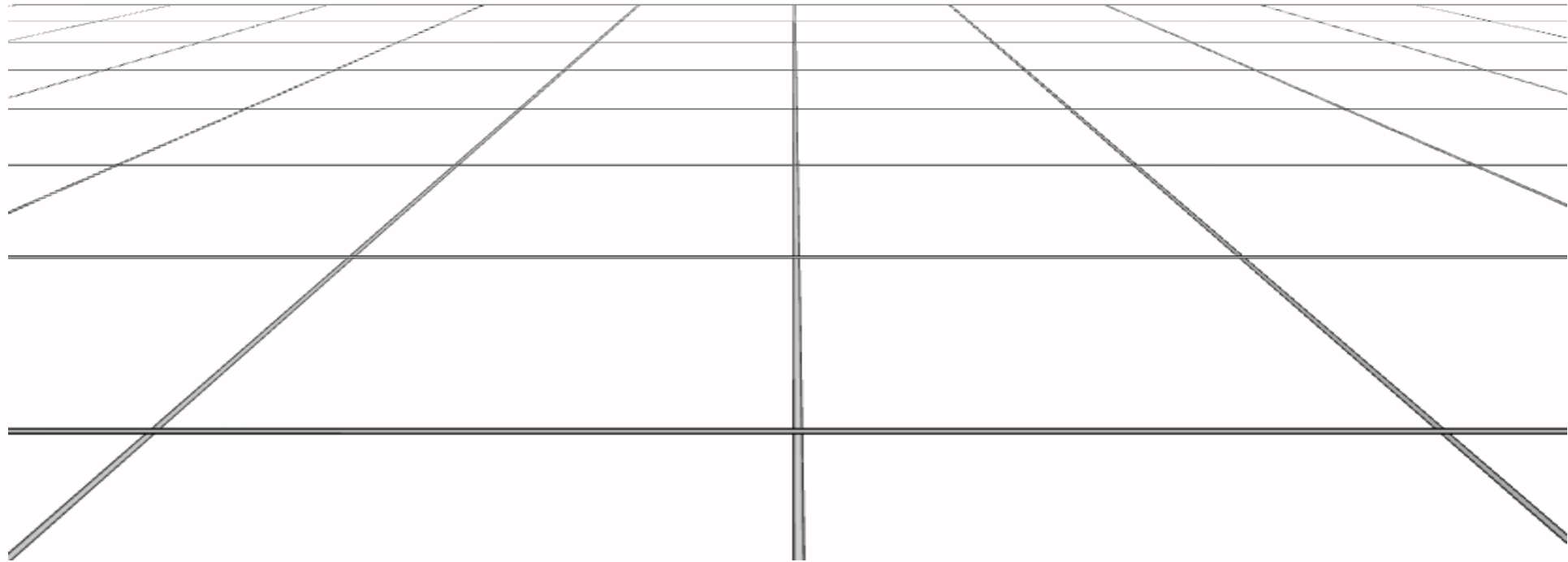
Fluid Handling Industry Valuations 2023 (Disclosed Valuations)

Transaction Value	Deals	EV/Revenue Multiple Range	Deals	EV/EBITDA Multiple Range
≥ \$ 1 billion	2	2.3 – 3.7	1	11.7 – 12.9
\$500- \$999 million	2	1.4 – 4.4	2	10.7 – 15.0
\$100- \$499 million	3	2.6 – 4.1		
\$50- \$99 million				
\$10 - \$49 million	2	1.6 – 2.6		
\$0 - \$9 million				
Median Values 2023	9	2.6x	6	12.9x
Median Values 2022	12	1.4x	5	10.0x
Median Values 2021	13	1.7x	4	10.4x

Source: Global Equity Consulting, LLC Research



Fluid Handling Industry Key Statistics 2023 2024 Outlook





Fluid Handling Industry 2023 Statistics

CCA Worldwide Pool of Public Fluid Handling Industry Companies

Metric	Median Value
Market Cap	\$4.7 billion
Revenue	\$2.5 billion
EBITDA Margin	14.8%
EV/Rev	1.8x
EV/EBITDA	11.4x

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 2023

Metric	TTM (median)	NTM (median)
Revenue Growth	14.0%	4.4%
EPS (adjusted) Growth	20.7%	10.9%

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 - 2024





Thoughts on Fluid Handling Industry M&A 2024

1) Deal Activity – slower pace

There are still willing buyers and willing sellers but not at the same high level of activity of the last 2 years – probably a slow down in activity overall with increasing activity in the 2nd half depending on interest rates and the the outlook for growth in 2025.

2) Valuations – holding up (for the most part - lower middle better than larger size end of the market)

competitive environment for quality deals offsets valuation headwinds of interest rates and lower short term growth expectations

- Strategic buyers have strong cash flows and balance sheets combined with motivation including:
 - Supplement organic growth
 - Acquire technology
 - Extend addressable market
- Private Equity firms
 - Significant dry powder to put to work
 - Add-ons will help drive growth

3) Trends– get closer to the end-user

- Products and services that address end-user needs/wants for reliability and efficiency
- Distribution and service with end-user capabilities and relationships



Questions & Answer Session

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