

Fluid Handling Industry M&A Update - April 2024

Overview

The M&A activity in the fluid handling industry slowed significantly in Q1 2024 from the record levels of activity over the prior three years (2021 through 2023) - dropping almost 40% in Q1 2024 vs. the average quarterly activity over the that three-year period (16 transactions in Q1 2024 vs. 26 average per quarter 2021 - 2023).

Many people were surprised that the activity level in 2023 held up as well as it did in the face of rising interest, an uncertain outlook for economic growth and geopolitical strife. It would seem there were enough discussions in the pipeline that continued, despite the growing headwinds, to keep the activity at a strong level through 2023 - although there were signs of slowing in the 2nd half of 2023.

Valuations in the fluid handling industry held up in 2023, as did valuations more generally. We attribute that to there still being a competitive environment for quality acquisition targets among corporate buyers pursuing their inorganic strategies as well as private equity firms pursuing add-on opportunities. Based on limited data so far in 2024, we do not see indications of a softening in valuations in the fluid handling space in 2024.

Activity Level

Year	2018	2019	2020	2021	2022	2023
Transactions	67	71	69	102	105	103

Figure 1 - Fluid handling activity level by number of transactions annually

Source: Global Equity Consulting, LLC research

Period	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Transactions	29	30	21	23	16

Figure 2 - Fluid handling activity level by number of transactions quarterly

Source: Global Equity Consulting, LLC research

Activity level declined significantly in Q1 2024 and was highly concentrated with 50% of the transactions being accounted for by two companies - Atlas Copco making 5 acquisitions and DXPE making 3 acquisitions in Q1 2024. In total there were 10 companies making acquisitions in the fluid handling space in Q1 2024. Of those 10 companies, 3 are private equity portfolio companies, which is a lower level of private equity participation than has been the case in recent years. It would seem that corporate buyers would have some advantage vs. private equity buyers given the current cost and availability of debt.

Valuations

Year	# of Transactions	EV/Revenue	# of Transactions	EV/EBITDA
2023	6	1.9x	6	11.7x
2022	12	1.4x	5	10.0x
2021	13	1.7x	4	10.4x
2020	10	0.9x	3	10.8x

Figure 3 - Fluid handling industry revenue and EBITDA multiples

*YTD August 2023

Source: Global Equity Consulting, LLC Research

Notes:

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;

Revenue - amount recorded as net sales for the period

While valuations held up in the fluid handling industry in 2023, and more generally with some fluctuation in certain size ranges, the increase shown in figure 3 above is related to the median deal size of \$700 million transaction value for the transactions where valuations were disclosed. We are glad to address specific valuation questions readers may have - please feel free to reach out at the contact information shown below.

Most Active YTD 2024

Company	Number of Transactions
Atlas Copco	7
DXP Enterprises	3
Interpump	2

Note: Ingersoll Rand has made 3 acquisitions YTD in 2023. However, 2 of them were not fluid handling related. One of the transactions that is not included in this report has a transaction value of \$2.2 billion.

Outlook

1) Deal Activity –

Look for an uptick from Q1 but not to the levels of the prior three years.

2) Valuations – holding up due to competitive environment for quality deals offsetting valuation headwinds of interest rates and slow short term growth expectations.

3) Trends– Distribution and/or service targets accounted for 60% of the Q1 2024 transactions as companies look to get closer to the end-user with:

- Products and services that address end-user needs/wants for reliability and efficiency
- Distribution and service capabilities, as well as relationships, that create competitive advantage

About the Author:

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