

Fluid Handling Industry M&A Mid-Year 2024

Overview

The M&A activity in the fluid handling industry increased 39% sequentially in Q2 vs. Q1 2024 measured by the number of transactions (25 transactions in Q2 vs. 18 in Q1). On a year-to-date basis the activity level is down YTD through Q2 2024 vs. the same period in 2023 by 30% (with 43 transactions YTD Q2 2024 vs. 61 transactions for the same period in 2023).

The activity fell off starting in Q2 of 2023 through Q1 2024 before regaining some strength in Q2 2024 as shown in the quarterly activity table below.

The number of fluid handling industry transactions YTD where valuation information has been disclosed is quite limited. However, more general information regarding valuations available for Q1 2024 provides mixed signals with some data sources indicating Q1 2024 valuations were essentially unchanged while others indicate a step down in valuations in the quarter.

Our sense has been, and continues to be, there is interest by both corporate and private buyers to seek quality acquisitions. Given the very soft activity level in Q1 it is not likely we will see a return to the high annual activity level of the last three years. However, barring a major negative macro event, we would expect the Q2 level of activity to continue through the balance of the year with a possible uptick if there is favorable action on interest rates in the fall.

In regard to valuations, we continue to sense the competitive environment will keep valuations from a substantial decline and possibly get support if the expectation for interest rate reductions starting in the fall materializes.

Activity Level

Year	2019	2020	2021	2022	2023	2024 Q2
Transactions	71	69	102	105	106	43

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	Q2 2024
Transactions	29	30	21	23	18	25

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

Source: Global Equity Consulting, LLC research

Activity level in Q2 2024 was more widespread vs. Q1 with 16 companies making acquisitions in the quarter vs. 11 in the prior quarter. There were six companies making multiple acquisitions in Q2. The most active companies are shown in Figure 3 below.

Corporate buyers have been more active vs. private buyers so far in 2024 making 80% of the acquisitions YTD vs. 70% for all of 2023.

Most Active YTD Q2 2024

Company	Transactions	Company	Transactions
Atlas Copco	11	AxFlow	2
Ingersoll Rand	6	Indutrade	2
DXP Enterprises	3	Interpump	2

Figure 3 - Most Active Acquires

Source: Global Equity Consulting, LLC research

Valuations

Year	# of Transactions	EV/Revenue	# of Transactions	EV/EBITDA
2024*	5	0.8x ¹	4	6.8x ¹
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 Q2 2024

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

¹ The median revenue and EBITDA are \$25.4 million and \$2.7 million respectively YTD Q2 2024 vs. \$540 million and \$156.4 million for 2023. This is a dramatic change in deal size mix that may be an anomaly or an indication that acquirers are currently more comfortable making smaller deals.

Our reading is that valuations for quality acquisitions that have a strong strategic rationale are holding up with acquirer's caution possibly causing a shift, for now, toward smaller deals.

Outlook

1) Deal Activity – expect the current deal activity level to maintain with possible uptick, barring a major negative macro factor.

2) Valuations – holding up due to competitive environment for quality deals unless there is a disappointment on interest rates.

3) Trends– distribution and/or service targets again accounted for 60% of the YTD Q2 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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