



Global Equity Consulting, LLC

Fluid Handling Industry M&A Activity

Review of 2024
and
Outlook for 2025

January 21, 2025

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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



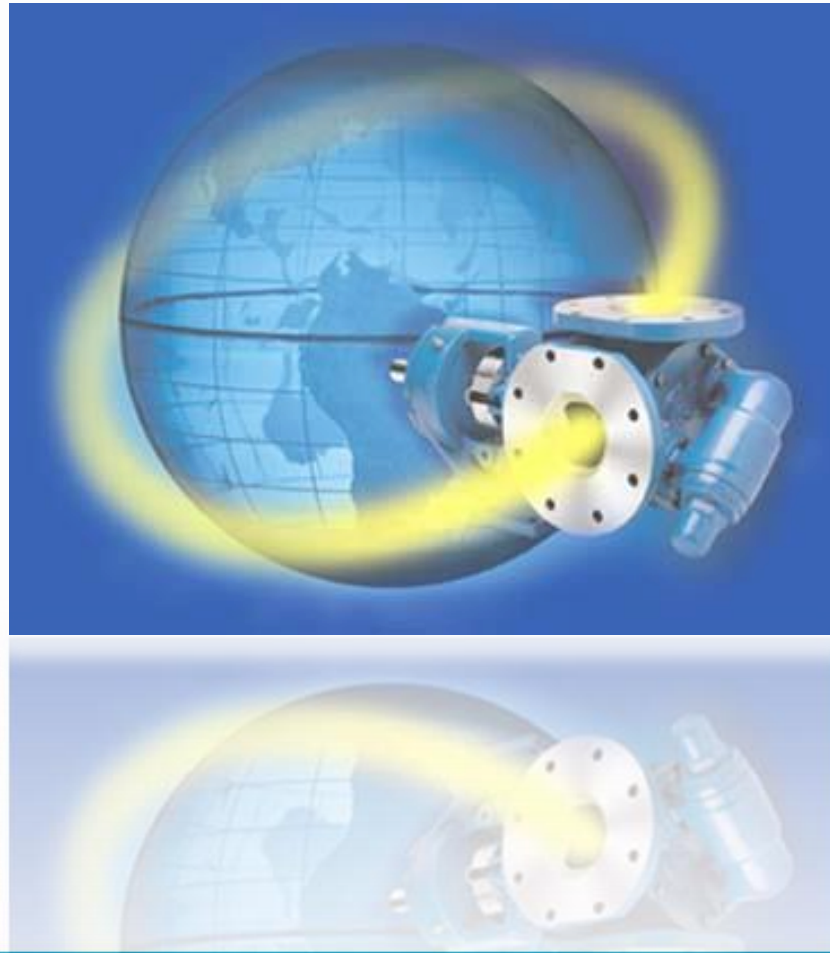
Mission: to provide senior level corporate finance advice and unparalleled execution services to leading middle market companies and their owners.

- Each Managing Director has 20+ years of 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.



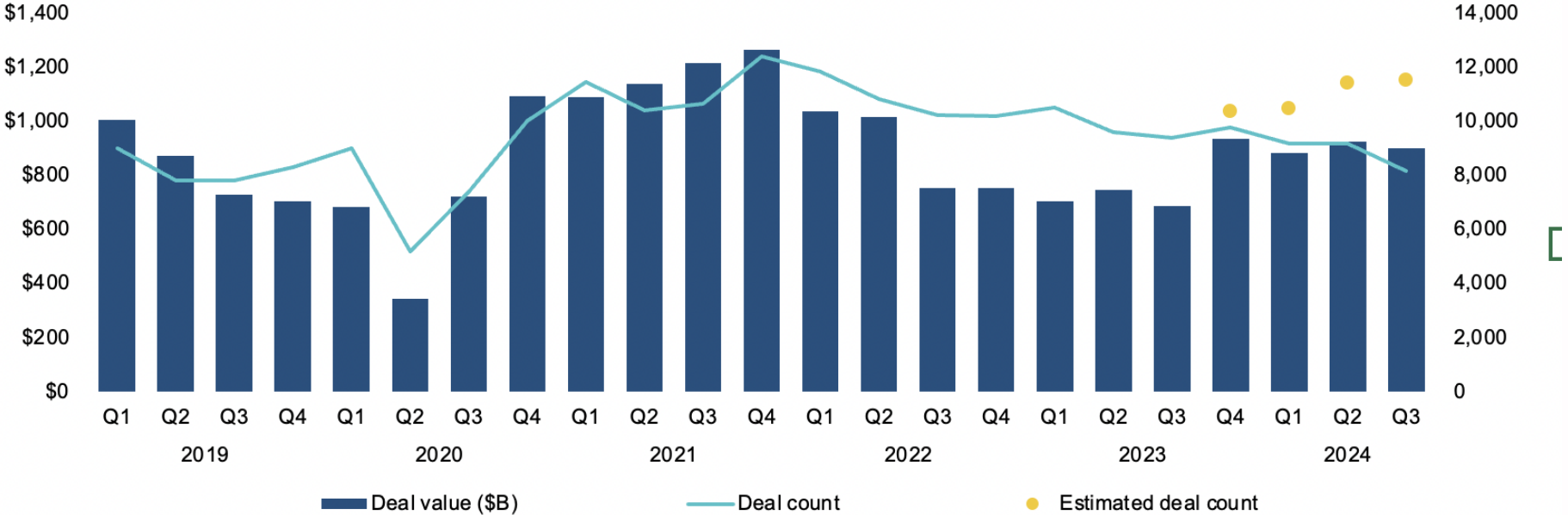


Fluid Handling Industry M&A 2024 Review



Global M&A Activity

Global M&A activity by quarter



Global activity declined 24% from the peak in Q4 2021 to Q3 2023.

Starting in Q4 2023 thru Q3 2024 the activity trend has been up – almost to peak levels.

As of 9/30/2024

Source: Pitchbook Q3 2024 Global M&A Report



Fluid Handling Industry M&A Activity 2024

Year	Number of Deals
2020	69
2021	102
2022	105
2023	104
2024	103

M&A activity in the fluid handling industry took a big step up in 2021 and has remained consistent at that high level.

2024 started with a relatively weak Q1 but finished with an increasing level of activity – the activity in the second half was up 15% vs. the first half of 2024.

Q1	Q2	Q3	Q4
21	27	26	29

Source: Global Equity Consulting, LLC Research



Fluid Handling Industry

What is Driving FHI M&A Activity?

	2020	2021	2024
Total Deals	69	102	103
Total Number of Companies	47	53	49
Number of Companies - multiple deals	14 / 30%	16 / 30%	13 / 27%
Number of Deals by Multiple Deal Companies	34 / 49%	65 / 64%	66 / 64%

The level of FHI deal activity is driven by about 15 companies (mostly corporate acquirers) who make multiple acquisitions in a given year e.g. Atlas Copco made 7 acquisitions in 2020 and 25 in 2024.

The most consistent highly active acquirers include: Atlas Copco, Ingersoll Rand, DXPE, AxFlow and Indutrade.

Others who have been highly active in recent years include: Franklin Electric, Ohio Transmission and Pump (OTP), Integrated Power Services and Klinger Group.

Source: Global Equity Consulting, LLC Research



Fluid Handling Industry Strategies Driving FHI M&A Activity

Companies have various strategic reasons to pursue acquisitions – below are the stated or observed strategic rationales for the highly active acquires in the FHI:

Company	Strategy
Atlas Copco	Channel integration
AxFlow	Supplement organic growth in Europe
DXPE	Diversify market concentration, expand geographic footprint, acquire talent
Ingersoll Rand	Expand their addressable market in high growth sectors, add technology and expand their geographic reach
Indutrade	Supplement organic growth in Europe

Source: Global Equity Consulting, LLC Research

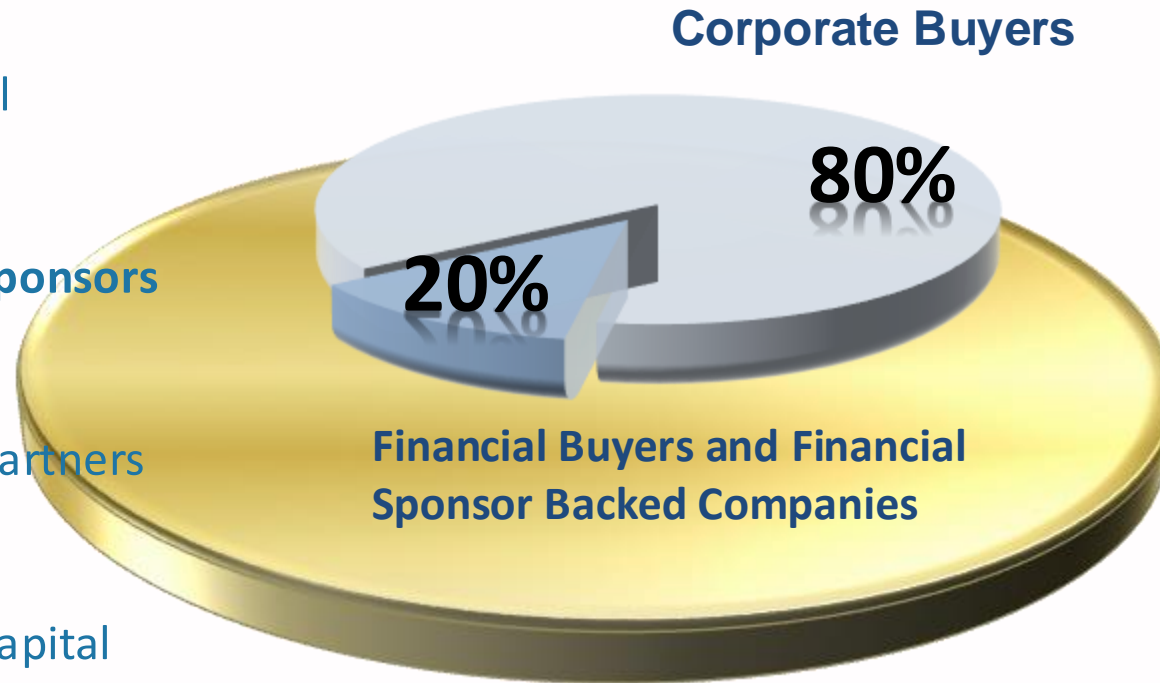
Corporate vs. Financial Sponsor Buyers - 2024

Most Active Financial Sponsors in 2024

- 3i
- Compass Group
- Hidden Harbor Capital
- Mangrove Equity
- Searchlight Capital

Other Active Financial Sponsors in 2024

- AEA
- Arcus Infrastructure Partners
- Bain Capital
- Bessemer Investors
- Bregal Unternehmerkapital
- Frontenac
- Genstar Capital
- H.I.G. Capital
- XPV Water Partners



Private equity was involved in 21 deals on the buy-side in 2024 - 20% vs. 30% for 2023.

Typical range for financial sponsors buy-side activity in the fluid handling space is 20% to 25%.

Financial sponsor involved acquisitions in 2024 was focused on distribution and/or service companies (16 of 21 transactions - 76%)

Source: Global Equity Consulting, LLC Research



Deal Activity by Targeted Industries 2024

	Number of Transactions	%
Diversified	71	69%
Water	15	15%
Hygienic, Dairy, Food & Beverage, and Pharma	5	5%
Oil and Gas	4	4%
Power Generation	2	2%
Other (Aerospace, Mining & Ore Processing, Marine, Hydrogen, Semiconductor)	6	6%
Total	103	100%

Water continues to be the industrial vertical of choice.

But we are also seeing more diversity of target industries. For all of 2023 the Diversified category was 51% and Water was 25%.

The water space is very broad but also may be getting a bit “picked over” and buyers are seeing opportunities in other industrial sectors.

Source: Global Equity Consulting, LLC Research



Fluid Handling Industry

M&A Deal Activity by Types of Business

Type	Number of Deals	%
Manufacturing and Mfg. with Service	44	43%
Distribution and Distribution with Service	44	43%
Service (repair, rental)	13	13%
Other (engineering, software development)	2	2%
Total	103	100%

There has been a trend toward distribution and service companies as acquisition targets. In 2022 manufacturing targets accounted for 61% of the transactions.

Distribution continues to be a highly fragmented space that presents attractive strategic and financial characteristics for buyers.

Source: Global Equity Consulting, LLC Research



Fluid Handling Industry Most Active Acquirers 2024

Company	Transactions	Company	Transactions
Atlas Copco	25	AxFlow AB	4
Ingersoll Rand	10	Integrated Power Services	4
DXP Enterprises	6	Klinger Group	3
Seven companies made two acquisitions in 2024 AES Engineering, Compass Group, Crane Co., Flowserve, Indutrade, Interpump Group, Rapid Pump			

13 companies account for 66% of the fluid handling industry buy-side activity in 2024

Source: Global Equity Consulting, LLC Research



Fluid Handling Industry M&A Activity 2024

Five Largest Transactions

Company	Deal	Target	Industry	Value
Schlumberger	Acquisition	ChampionX Corp	Oil & Gas	\$8.2 billion
Ingersoll Rand	Acquisition	ILC Dover	Pharma	\$2.3 billion
IDEX Corp	Acquisition	Mott Corp	Diversified	\$900 million
Flowserve	Acquisition	MOGAS Industries	Diversified	\$305 million
SKF	Divest	Ring and Seal Business	Aerospace	\$220 million

Source: Global Equity Consulting, LLC Research



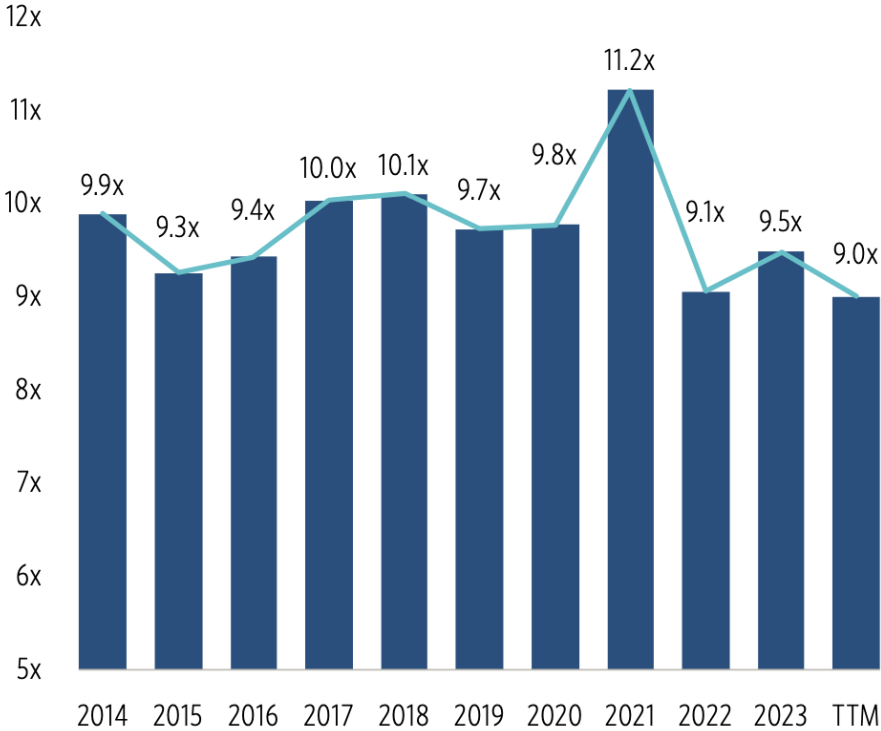
Fluid Handling Industry M&A Valuations 2024 (Disclosed Valuations)

Transaction Value	Deals	EV/Revenue Multiple Range	Deals	EV/EBITDA Multiple Range	Median Value USD Millions
≥ \$ 1 billion	2	2.3 – 5.8	2	10.7 – 17.0	
\$500- \$999 million	1	4.5	1	19.0	
\$100- \$499 million	4	1.5 – 3.3	2	7.9 – 12.9	
\$50- \$99 million					
\$10 - \$49 million	4	0.8 – 2.0	2	5.1 – 8.4	
\$0 - \$9 million	1	0.3	1	2.6	
Median Values 2024	12	2.1	8	10.1	\$103
Median Values 2023	10	2.4	5	12.9	\$253
Median Values 2022	10	1.4	4	10.0	\$42

Source: Global Equity Consulting, LLC Research

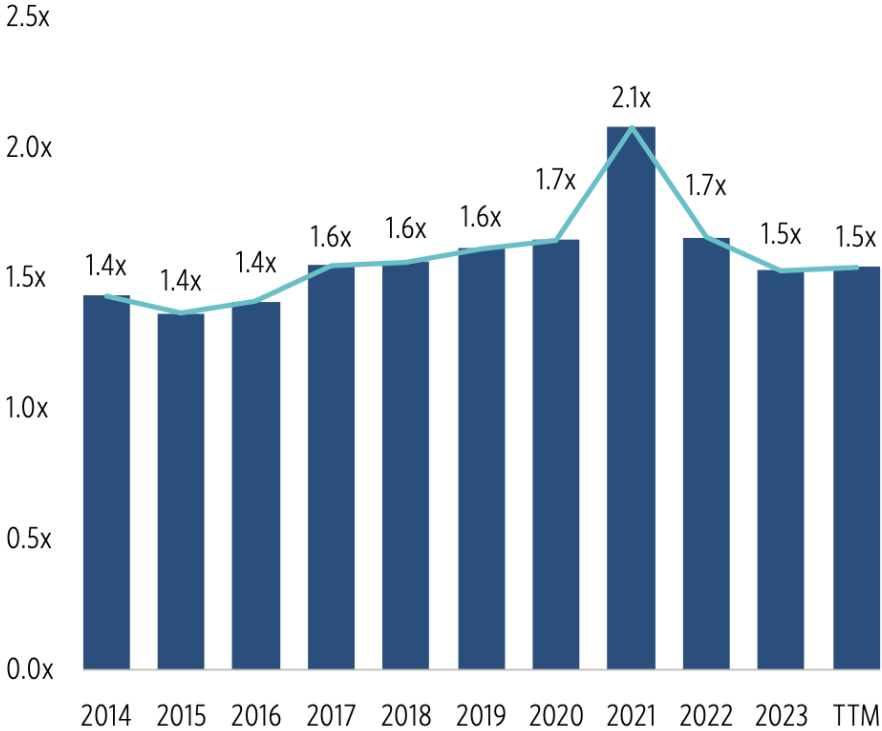
Global EV/EBITDA and Revenue Multiples

Median M&A EV/EBITDA multiples



Source: PitchBook • Geography: North America and Europe
As of September 30, 2024

Median M&A EV/revenue multiples



Source: PitchBook • Geography: North America and Europe
As of September 30, 2024



Middle Market Private Equity Valuations

Total Enterprise Value (TEV)/EBITDA TTM Adjusted EBITDA

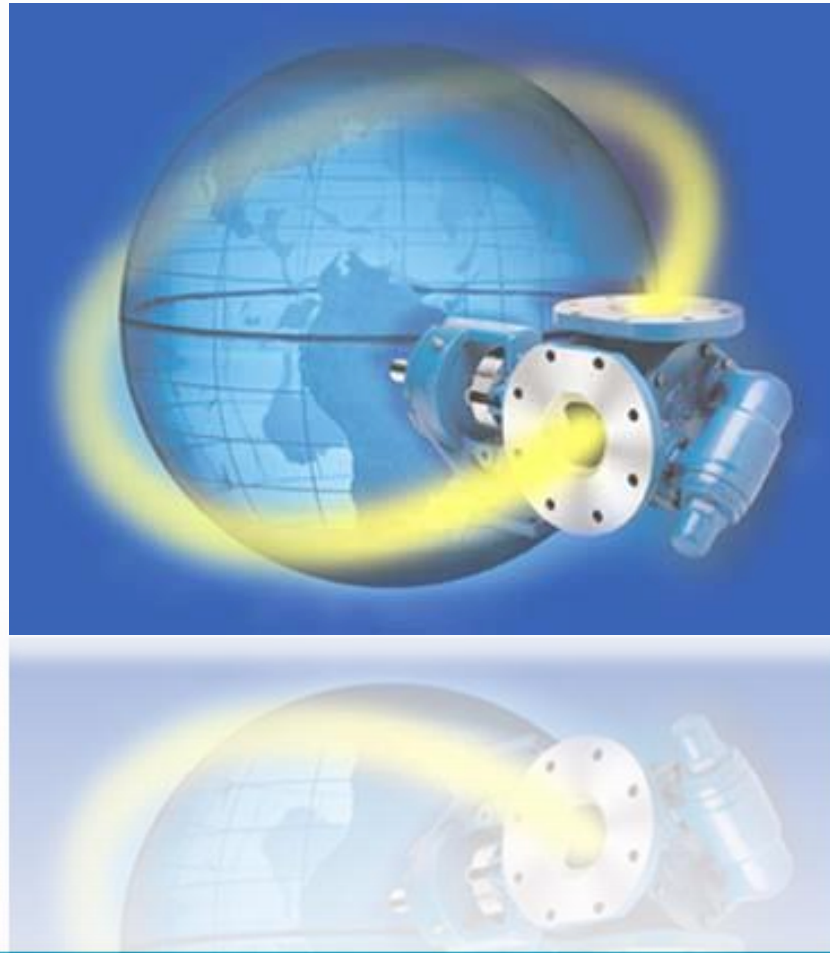
TEV	2003 – 19*	2020	2021	2022	2023	YTD 2024	Total	Number of Transactions
\$ 10M - \$ 25M	5.8x	5.9x	6.1x	6.5x	6.0x	6.4x	5.9x	2028
\$ 25M - \$ 50M	6.5x	6.7x	7.2x	7.0x	7.1x	6.7x	6.7x	1,567
\$ 50M - \$ 100M	7.5x	8.0x	8.3x	8.5x	8.0x	8.5x	7.7x	1,067
\$ 100M - \$ 250M	8.2x	8.7x	9.3x	9.1x	9.8x	8.2x	8.5x	600
\$250M - \$500M	9.0x	10.4	10.9	10.1x	10.7x	9.5x	9.9x	89
Total	6.6x	7.0x	7.6x	7.5x	7.2x	7.1	6.9x	
Number of Transactions	3611	342	501	334	294	269		5,351

*2003-19 encompasses 17 years of activity

Source: GF DATA® an ACG Company February 2024 M&A Report Chart 1 YTD 2024 is 9/30/2024



Fluid Handling Industry M&A 2025 Outlook





Key Macro Factors Impacting M&A Activity and Valuations

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



Key Macro Factors Impacting M&A Activity and Valuations

Where were in 2024?

- 1) Level of demand for quality acquisitions – **Strong**
- 2) Cost of capital – weighted average of debt and equity –
Market adjusting to current levels
- 3) Growth outlook – risk adjusted **Cautious**



Key Macro Factors Impacting Valuations M&A Activity and Valuations

Where are we today – January 2025?

- 1) Level of demand for quality acquisitions – **Strong**
- 2) Cost of capital – weighted average of debt and equity –
Market adjusting to current levels
- 3) Growth outlook – risk adjusted – **Positive Expectations**



Fluid Handling Industry M&A Thoughts for 2025

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

Assuming interest costs are stable we expect that buyers and sellers will adjust to the current levels of the cost of capital and come to a meeting of the minds on valuation expectations.

We look for buyers have to expectations for a more favorable business environment in the U.S. due the change in the administration and we expect this to carry over into an improved overall M&A environment.

We would expect this improved M&A environment to have a positive impact on the FHI M&A activity in 2025 resulting in the continuation of the current high level of activity in the middle and lower middle markets with potential on the upside. We would look to see more activity in upper middle market.



Questions & Answer Session

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