

## Fluid Handling Industry M&A in 2024 and Outlook for 2025

In this article we will first review the general M&A market in regard to activity and valuation and then review the M&A activity in the fluid handling industry in 2024 as well as provide our thoughts on the industry's M&A outlook for 2025.

### Key take aways on general M&A activity in 2024

1. Deal activity rebounded in 2024 starting in Q4 2023 after two years of subdued activity (2022 and 2023)
2. Valuations overall, on a global basis, were steady in 2024 vs. the prior two years, although down by 20% from the peak in 2021 on a multiple of EBITDA basis
3. Valuations for US private equity transactions experienced a decline in the upper end of the middle market (\$100 - \$500 million)

## General M&A Activity and Valuations 2024

### Global M&A Activity by Quarter



Fig. 1 Global M&A activity 2019 - Q3 2024 (30 September 2024)

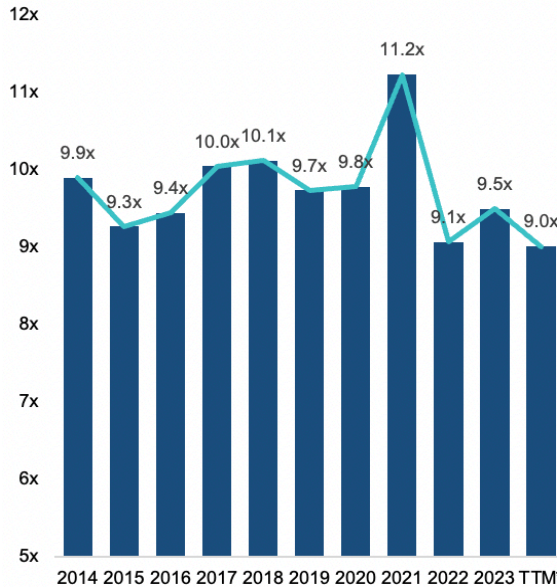
Source: Pitchbook Q3 2024 Global M&A Report

From the peak levels of 2021 both measures of deal activity - total deal value (the total of disclosed and estimated deal values) and deal count (number of announced deals), had fallen through Q3 2023. From 2021 deal values declined by 29% and deal count by 8.0% over the two years 2022 and 2023 before reversing that downward trend starting in Q4 2023.

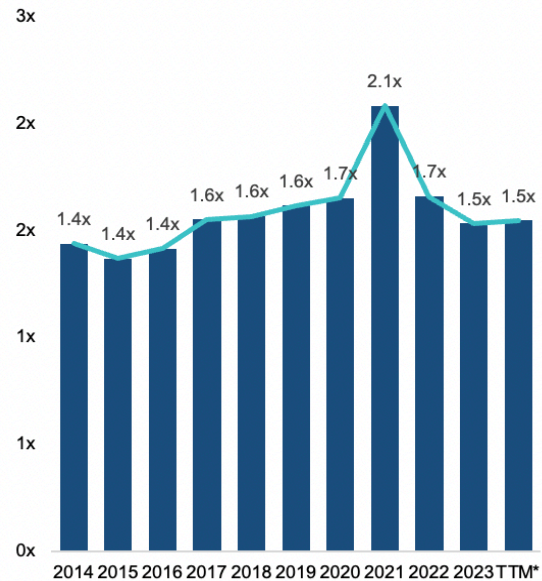
The factors driving the downturn in 2022 and 2023 have been thoroughly discussed, including: interest rates and an uncertain growth outlook as well as conflicts in Europe and the Middle East. It would seem that beginning in Q4 2023 buyers, particularly corporate buyers, started to find those macro factors less intimidating and revived their deal activity, joined by private equity later in 2024. The Deal count, as shown by yellow dots in Figure 1 above (the yellow dots show where PitchBook estimates the deal counts will be once all data is processed), returned to levels getting close those of 2021 - only down by 2.5% on a TTM (trailing twelve months) basis thru 9/30/2024. On the other hand, total deal value remains down significantly - 22.5% on a TTM basis thru 9/30/2024 vs. 2021. While deal value is an important metric, it is impacted by a

variety of factors that impact total deal value such as: deal size, industry mix and transaction valuations. Consequently, in the author's opinion, deal count is a better indicator of the vibrance of M&A activity vs. total deal value.

**Median M&A EV/EBITDA Multiples**



**Median M&A EV/Revenue Multiples**



Geography: North America and Europe  
Trailing Twelve Months as of 9/30/2024  
Fig. 4 Data courtesy of PitchBook Q3 2024 Global M&A Report

Note:  
Enterprise Value: Company equity (market value) plus net debt (interest bearing debt less cash)  
EBITDA: Earnings before interest, tax (income tax), depreciation and amortization  
Revenue: Generally Accepted Accounting Principles (GAAP) definition of revenue accrual basis is: revenue is recognized on the income statement when it is earned, not when cash is received

The above data from PitchBook shows current global EV/EBITDA multiples are down 20% from the 2021 peak (9.0x vs. 11.2x) but close (93%) to the 10-year median EV/EBITDA multiple of 9.7x. Likewise, the EV/Revenue multiples are down almost 30% from the 2021 peak (1.5x vs. 2.1x) but not far off (94%) the 10-year median EV/Revenue multiple (1.5x vs. 1.6x). We should keep in mind that in 2021 we had near perfect storm conditions for M&A - interest rates were near zero (the effective funds rate in the US in 2021 ranged from 0.08% to 0.09% according to data from the St. Louis Federal Reserve) vs. the rate of 4.8% in November 2024. The global real GDP growth in 2021 was 6.6% according to data from the International Monetary Fund vs. 3.3% in November 2024.

It would seem reasonable to conclude that the conditions that were the driving forces for deal activity and valuations in 2021 were an anomaly and now we have returned to more normal conditions. Although the interest rates in the US are still at near their highest level in the last 20 years, which was 6.55 in November 2000 according the St. Louis Federal Reserve, the interest rates are likely to decline in 2025 baring a re-ignition of inflation.

### Middle Market Private Equity TEV/EBITDA multiples

TEV	2003-2019	2020	2021	2022	2023	YTD 2024*	Total	N =
10-25	5.8x	5.9x	6.1x	6.4x	6.0x	6.4x	5.9x	1994
25-50	6.5	6.7	7.2	7.0	7.0	6.4	6.7	1536
50-100	7.5	8.0	8.3	8.5	8.0	8.7	7.7	1053
100-250	8.2	8.7	9.3	9.1	9.6	8.3	8.5	592
250-500	9.0	10.4	10.9	10.1	10.7	9.8	10.0	86
<b>Total</b>	<b>6.6x</b>	<b>7.0x</b>	<b>7.6x</b>	<b>7.5x</b>	<b>7.2x</b>	<b>7.1x</b>	<b>6.9x</b>	
<b>N =</b>	<b>3611</b>	<b>342</b>	<b>501</b>	<b>334</b>	<b>293</b>	<b>180</b>		<b>5261</b>

\*Q2 (30 June 2024)  
Source: GF Data

Fig. 5 Total Enterprise Values for Middle Market Private Equity Transactions

The data in figure 5 shows the average TEV / EBITDA multiples reported to GF Data by a pool of 250 private equity firms. This provides information on private transaction valuations that are usually not disclosed and therefore difficult to know on a reliable basis. As can be seen in figure 5 there is a significant difference in valuations from the smallest TEV range (\$10-25 million) to the largest range (\$250-500 million). It should be kept in mind these are average numbers and the value of a specific business can be in a range that could typically be +/- 1x the ranges shown, or perhaps more for companies that are highly sought after in a competitive process.

This information indicates some softening in valuations at the start of 2024 in some size ranges - primarily in the two largest ranges - while strengthening in two of the three smaller ranges. The strengthening of valuations in the smaller deal sizes may be an indication of where the demand was strongest for bolt on opportunities.

Note:

Total Enterprise Value: Company equity (market value) plus net debt (interest bearing debt less cash) - shown in USD millions

EBITDA: Earnings before interest, tax (income tax), depreciation and amortization

### **Fluid Handling Industry M&A Activity and Valuations 2024**

#### **Key take aways on the fluid handling industry M&A activity in 2024:**

1. Deal activity in the fluid handling industry slowed by about 10% in 2024 vs. the levels of the prior two years (2022 and 2023), however activity was showing a pick-up in Q2 and Q3 with Q4 expected to be a continuation of the higher level of activity when the numbers are in.
2. Deal activity is driven primarily by corporate buyers; however financial sponsors are an important factor accounting for about 25% of the acquisition activity in the industry.
3. Water continues to be the predominate end-use market sector targeted by acquirers.

4. Distribution and service businesses are the predominate type of business targeted by acquirers.
5. Median valuations in the industry have fluctuated over the last three years (2022, 2023 and 2024) along with the significant fluctuation in median deal size. Disclosed valuations on individual deals show that valuations remain very transaction specific.

#### Fluid Handling Industry M&A Activity by Deal Count

Fluid Handling Industry Transaction Activity					
2019	2020	2021	2022	2023	TTM Q3 2024
71	69	102	105	104	95

Fig. 7 Fluid Handling Industry M&A activity 2019-Q3 2024  
Source: Global Equity Consulting, LLC research

The number of fluid handling industry M&A transactions is down about 10% on a TTM (trailing twelve months) basis through Q3 2024, due primarily to a weak Q1 2024. However, on a sequential basis the activity in Q2 and Q3 2024 returned to activity levels consistent with the prior three years of 100 plus deals per year. The deal activity level in the fluid handling industry tends to be driven by +/- 15 companies who do multiple deals in any given year. The companies in the most active group varies year to year but the most consistently active acquirers over the last three years (doing multiple deals per year) are: Atlas Copco, Ingersoll Rand, DXP, AxFlow and Indutrade.

Financial sponsors (private equity and family offices) accounted for 18 acquisitions (25%) and there were five financial sponsor exits through Q3 2024. This is a normal level of financial sponsor activity in our industry.

#### Water is the Most Targeted End-Use Market

Fluid Handling Industry Targeted End-Use Markets		
End-Use Market	Number of Transactions*	Percentage
Diversified (serves multiple end-use markets)	49	68%
Water	11	15%
Energy (power generation, oil & gas, hydrogen)	6	8%
Hygienic	3	4%
Other (aerospace, mining and mineral ore processing, semiconductor)	3	4%
<b>Total</b>	<b>72</b>	<b>100%</b>
*Q3 2024 (30 September)		

Fig. 8 Most Targeted End-Use Markets.  
Source: Global Equity Consulting, LLC research

Water continues to be the most sought after end-use market other than the diversified category. In the water category the US was the most targeted geography (72%) and distribution and/or service businesses were the predominate types of businesses acquired (72%) in the water space. Clearly acquirers see water as a

growth opportunity and distribution / service businesses in the US as a consolidation opportunity - a win / win.

#### North America Most Targeted Region

Fluid Handling Industry M&A Targeted Regions			
Targeted Region	2022	2023	2024*
North America	53%	65%	58%
Europe	39%	27%	29%
Rest of the World	8%	8%	13%
	100%	100%	100%

\*Q3 2024 (30 September)

Fig. 9 Most Targeted Regions.  
Source: Global Equity Consulting, LLC research

Figure 9 shows that North America continues to be the most targeted geography. Key factors for the focus on North America are likely the relative strength of the US economy and growth outlook (real 2025 GDP growth rate projection of 2.2% in the US vs. 1.2% in the Euro Area and 1.5% in the UK per the International Monetary Fund Report October 2024) as well as the ongoing consolidation of the US distribution / service businesses.

#### Fluid Handling Industry M&A Activity Concentrated with Most Active

Fluid Handling Industry Most Active M&A Companies*			
Company	Transactions	Company	Transactions
Atlas Copco AB	17	AxFlow AB	2
Ingersoll Rand Inc.	6	Compass Group Equity Partners	2
DXP Enterprises	4	Indutrade	2
Integrated Power Services	4	Interpump Group	2
Klinger Group	3	Rapid Pump	2
		Total	44
* Q3 2024 (30 September)		Percentage of total transactions	61%

Fig. 10 Fluid Handling Industry Most Active M&A Companies.  
Source: Global Equity Consulting, LLC Research

As shown in figure 10, there were 10 companies that made multiple acquisitions accounting for 61% of the M&A deals in the industry through Q3 2024 (30 September). Of this most active group five are European based (Atlas Copco, Klinger Group, AxFlow AB, Indutrade and Interpump Group), three are private equity sponsored (Integrated Power Services, Compass Group Equity Partners and Rapid Pump). The Atlas Copco transactions are predominately acquisitions of air compressor distribution and service companies to expand their channel.

#### Fluid Handling Industry Largest Transactions

Fluid Handling Industry 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
Ingersoll Rand	Acquisition	Friulair S.r.l.	Diversified	\$146 million
Crane Co	Acquisition	Vian Enterprises	Aerospace	\$103 million

Activity thru Q3 2024 (30 September)

Fig. 11 Fluid Handling Industry Largest Transactions.  
Source: Global Equity Consulting, LLC Research

The Schlumberger (NYSE: SLB) acquisition of ChampionX (NASDAQ: CHX) is an all stock transaction. The agreement places a value of \$40.59 per ChampionX share, which represents a 14.7% premium based on the closing price of April 1, 2024 (the day prior to the announcement). According to Schlumberger the production phase of oil and gas operations typically comprises the majority of an asset's life cycle from completion through decommissioning. This places a premium on the service providers' ability to help customers address challenges across the entirety of their production system. At the same time, there is growing demand to scale emerging technologies such as AI and autonomous operations across global operations. The acquisition of ChampionX strengthens Schlumberger's capabilities in production space, with world-class production chemicals and artificial lift technologies.

Ingersoll Rand's acquisition of ILC Dover marks the company's next phase of their long-term vision to expand into higher-growth end markets like life sciences. In connection with this acquisition, Ingersoll Rand will establish a life sciences platform within its Precision and Science Technologies (P&ST) segment, consisting of ILC plus Ingersoll Rand's life science-focused brands. The acquisition expands Ingersoll Rand's addressable market by more than \$10 billion, to a total addressable market of approximately \$65 billion. The purchase multiple of approximately 17x 2024E Adjusted EBITDA is supported by Adjusted EBITDA margins in the mid-30s and a 3-year historical organic revenue CAGR in the mid-teens, which are both immediately accretive to the P&ST segment.

Ingersoll Rand's acquisition of Friulair will give the company the opportunity to accelerate growth across food and beverage and pharmaceutical end markets, in addition to scaling Ingersoll Rand's existing air treatment business. Based in Italy, Friulair is recognized for its design and production of dryers, filters, aftercoolers, and accessories for the treatment of compressed air as well as its chiller product line. The addition of Friulair will increase the scale of Ingersoll Rand's air dryer business, significantly increasing the company's access to the original equipment manufacturer channel and will add new chiller production capabilities. It also adds manufacturing locations in Cervignano del Friuli, Italy and Si Racha Chon Buri, Thailand. Friulair employs approximately 215 people and has approximately \$65 million in revenue. Through the realization of synergies and the deployment of IRX, Ingersoll Rand expects to realize Adjusted EBITDA margins in excess of 30% by year three of ownership.

IDEX Corporation's acquisition of Mott Corporation brings scale to IDEX's growing suite of focused, high-value businesses – including IDEX Optical Technologies, the Muon Group, and recently acquired Iridian

Spectral Technologies and STC Material Solutions – that address customer demand for novel solutions and expertise across advanced materials, microscale features, precision components, and proprietary production processes. Mott is a leader in the design and manufacturing of sintered porous material structures and flow control solutions, with deep applied material science knowledge and process control capabilities. The agreement calls for IDEX to acquire Mott Corporation and its subsidiaries (“Mott”) for cash consideration of \$1 billion, subject to customary adjustments. When adjusted for the present value of expected tax benefits of approximately \$100 million, the net transaction value is approximately \$900 million. This represents approximately 19x Mott’s forecasted full year 2024 EBITDA and a mid-teens multiple based on forecasted 2025 EBITDA. The transaction is expected to be accretive to adjusted earnings per share in fiscal year 2026.

In the acquisition of California based Vian Enterprises the Crane Company gains a global designer and manufacturer of multi-stage lubrication pumps and lubrication system components technology for critical aerospace and defense applications with sole-sourced and proprietary content on the highest volume commercial and military aircraft platforms. Combined with Crane’s existing fluid and thermal management capabilities, the acquisition further strengthens the company’s positioning for future content opportunities on engines, gearboxes and auxiliary power units. According to the company’s announcement the purchase price was approximately \$103 million and they expect Vian’s margins will be accretive to the Aerospace & Electronics’ segment EBITDA margins immediately, with a long-term sales growth rate in line with the segment’s 7% to 9% long-term CAGR.

#### Fluid Handling Industry Disclosed Valuations

Fluid Handling Industry M&A Transaction Valuations				
Transaction Value	Deals	EV/Revenue	Deals	EV/EBITDA
≥ \$1 billion	2	2.3 - 5.8x	2	10.7 - 17.0x
\$500 - \$999 million	1	4.5x	1	19.0x
\$100 - \$499 million	3	1.5 – 3.1x	2	7.9 - 12.9x
\$50 - \$99 million				
\$10 - \$49 million	3	0.6 – 1.6x	2	5.1x - 8.4x
\$0 - \$9 million	1	0.3x	1	2.6x
Median Values 2024*	10	1.9x	8	9.6x
Median Values 2023	10	2.4x	5	12.9x
Median Values 2022	10	1.4x	4	10.0x
	2022	2023	2024	
Median Deal EV (USD millions)	\$42.4	\$253.0	\$103.0	
* Activity YTD 25 Oct 2024				
Enterprise Value: Company equity (market value) plus net debt (interest bearing debt less cash) EBITDA: Earnings before interest, tax (income tax), depreciation and amortization				

Fig. 12 Fluid Handling Industry Transaction Valuations

Source: Global Equity Consulting, LLC Research



The disclosed valuations for fluid handling industry transactions show a wide range, as is normally the case. The key macro factors impacting deal activity and valuations include: the level of overall demand for acquisitions - companies looking for inorganic growth opportunities to supplement their organic growth, the cost of capital and the risk adjusted macro growth outlook. The valuation of specific companies is dependent on a variety of factors including: size, historical financial performance, growth outlook, strategic fit, synergy opportunities, strength of management and whether there is a competitive process.

As shown in figure 12 the median valuations for deals in the fluid handling industry had significant ups and downs over the last three years but we also see that the median deal sizes had wide swings in that same period. It would be reasonable to conclude that 2023 was an outlier in terms of median deal size that drove an unusual spike in the median valuations both in regard to the revenue and EBITDA multiples and the median multiples as well as the median deal sizes in 2022 and 2024 are more typical for the M&A activity in our industry.

### **Thoughts About 2025 Fluid Handling Industry M&A**

- The demand for quality acquisitions will likely be stronger in 2025, and potentially significantly stronger, should CEO confidence be buoyed by the prospect of lower tax rates and an overall more business friendly environment with the change in the US administration.
- An improved level of CEO confidence will also help to close the buyer / seller valuation gap - buyer's risk analysis would likely shift to being more averse to missing a quality opportunity.
- With the anticipated change in the regulation environment, we may see a return to more large deals along with a continuation of the middle market deals that are more bolt-on in nature.
- We would expect to see more deals targeted on the energy sector, particularly oil & gas.
- In the middle and lower middle market, we expect to see a continued focus toward distribution and service companies – manufacturing company targets are down from 61% of the industry transactions in 2022 to 44% YTD 2024.

#### **About the author:**

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