

## Fluid Handling Industry M&A Update Q1 2025

### Overview

<i>Deal Activity</i>	Up 50% vs. prior year; up 13% sequentially. Very strong January - February and March reverted to the mean
<i>Valuations</i>	Stable
<i>What's Happening</i>	Oil and Gas is making a comeback as a targeted industry for Fluid Handling Industry M&A Acquirers are focusing on the aftermarket More worldwide diversity of target companies
<i>Why</i>	Key Q1 2025 deal rationales: <ul style="list-style-type: none"> <li>• Strategic growth</li> <li>• Enhance geographic market presence</li> <li>• Expand product / technology scope</li> <li>• Portfolio realignment</li> </ul>
<i>Outlook</i>	Stable to cautiously optimistic

### Deal Activity

Deal activity in Q1 2025 was very strong - the strongest Q1 since the record setting year in 2021. The activity in January was exceptionally strong with the expectation that an improved business environment starting in 2025 would carry over into a continuation of the strong M&A activity we had experienced over the prior three years - and with the potential for even stronger activity.

However, as the quarter progressed, cautiousness set in with discussion of tariffs, rekindling of inflation and possible recession. With that cautiousness, activity reverted to normalized levels in February and March.

Year	2020	2021	2022	2023	2024	TTM Q1 '25
Transactions	69	102	105	104	104	115
Quarter	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	TTM Q1 '25
Transactions	22	27	26	29	33	115

**Figure 1 - Fluid Handling Industry activity level by number of transactions**

Source: Global Equity Consulting, LLC research

### Valuations

Fluid Handling Industry disclosed that deal valuation data points were limited in Q1. However, as shown below, data published for overall transactions shows valuations are holding up.

Fluid Handling Industry disclosed transaction values in Q1 2025

Buyer	Deal	Target	Value
Honeywell (NAS: HON)	Acquisition	Sundyne	\$2.6 billion
Alfa Laval (STO: ALFA)	Acquisition	Fives Group Cryogenic Business	\$899 million
One Equity Partners	Acquisition	Ethos Energy Group	\$180 million
CECO Environmental (NAS: CECO)	Divestiture	Global Pump Solutions business (Fybroc, Dean and Sethco)	\$110 million

**Figure 2 - Fluid Handling Industry Disclosed Value Transactions**

Source: Global Equity Consulting, LLC research

The below valuations are median values for transactions of all sizes and all industries in North America and Europe. The number of transactions in the sample size range from 715 to 1,567 for EV/EBITDA values and from 1,463 to 3,125 for EV/Revenue values in any given year depending on the deal activity.

	2020	2021	2022	2023	2024	TTM Q1'25
<b>EV/EBITDA</b>	9.2x	10.6x	8.7x	9.0x	9.7x	9.6x
<b>EV/Revenue</b>	1.6x	2.0x	1.6x	1.5x	1.6x	1.6x

**Figure 3 - Median North America and Europe M&A EV/EBITDA and EV/Revenue multiples**

Source: PitchBook Global M&A Report Q1 2025 as of 31 March 2025

Below are valuations based on reported private equity transactions in the EV range of \$10 to \$500 million and EV/EBITDA multiples in the range of 3x to 18x trailing twelve months (TTM) EBITDA.

	2003-2019	2020	2021	2022	2023	2024	Total
<b>EV/EBITDA</b>	6.6x	7.0x	7.6x	7.5x	7.2x	7.2x	6.9x

**Figure 4 - Average EV/EBITDA multiples TTM EBITDA**

Source: GF Data® an ACG Company February 2025 Report

These are generalized valuations to show overall trends. The value of any specific business is dependent on a number of factors including: size, growth history and outlook, profitability, strategic fit and risk factors (external macro risk, market risk and execution risk).

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

### **What's Happening**

The below profile of deal activity shows that while there was a wider spread of activity in Q1 2025 vs. all of 2024, there remains a significant level of deal activity concentration in the industry. In Q1, four companies accounted for over half (54%) of the transaction activity in the quarter.

<b>Companies with Multiple Transactions in Q1 2025</b>		<b>Deals</b>
Atlas Copco (STO: ATCO A)		11
Arcline Investment Management		3
Dover Corp (NYS: DOV)		2
Franklin Electric (NAS: FELE)		2
Total		18
<b>Concentration of Fluid Handling Industry M&amp;A</b>		
	<b>2024</b>	<b>Q1 2025</b>
Total Deals	104	33
Total Number of Companies	49	23
Number of Companies - Multiple Deals	13 / 27%	4 / 17%
Number of Deals by Multiple Deal Companies	66 / 64%	18 / 54%

**Figure 5 - Fluid Handling Industry M&A Deal Activity Profile**

Source: Global Equity Consulting, LLC research

The below table shows information on Q1 2025 deal targets by industry, type of business and geographic regions.

Industry	Number of Deals	% of Deals Q1 2025
Diversified - serves multiple industries	20	60%
Energy - primarily oil & gas	4	12%
Water	3	9%
Marine	3	9%
Other	3	9%
Total	33	100%
Type of Business	Number of Deals	% of Deals Q1 2025
Manufacturing	14	42%
Manufacturing & Service (aftermarket parts and service)	2	6%
Distribution	7	21%
Distribution and Service	3	9%
Service	7	21%
Total	33	100%
Geographic Regions	Number of Deals	% of Deals Q1 2025
North America	18	55%
Europe	7	21%
ROW (Asia, Australia, South America, Middle East)	8	24%
Total	33	100%

**Figure 6 - Fluid Handling Industry M&A Deal Target Information**

Source: Global Equity Consulting, LLC research

Some notable points about the target companies in Q1 2025:

- The percentage of the deals with targets serving the Oil & Gas market is the largest we have seen in several years and the interest seems to be in two areas: cryogenic technology and aftermarket critical equipment service capability.
- While manufacturing targets were the single largest category, the targets that primarily serve the aftermarket make up over 50% of the target companies - as they did in 2024 as well.
- North America remains the most favored geographic region. However, the ROW percentage in Q1 2025 is the most significant we have seen.

### **Why - Key Deal Rationales**

Below are the key factors motivating the largest deals and the most active companies in Q1 2025.

*Largest Deals:*

Deal	Rationale
Honeywell acquisition of Sundyne	<p>&gt; Expand critical equipment portfolio and aftermarket services</p> <p>&gt; Enhance end-to-end solutions in process technologies and critical equipment</p> <p>&gt; Increase installed base - refining, petrochemicals, LNG, clean &amp; renewable fuels</p>

Deal	Rationale
<i>Alfa Laval</i> acquisition of Fives Group cryogenic business	<i>Cryogenic technology</i> - crucial for traditional gases like LNG and emerging applications like hydrogen and synergistic with Alfa Laval's strong position in the global gas market
<i>One Equity Partners</i> acquisition of Ethos Energy	<i>&gt; New platform providing gas turbine aftermarket service</i> - the power, oil and gas, industrial and aerospace market <i>&gt; Critical service for mission critical equipment in critical industries</i>
<i>CECO Environmental</i> divestiture of Global Pump Solutions	<i>Portfolio realignment</i> - environmental solution businesses

**Figure 7 - Fluid Handling Industry M&A Rationale Largest Deals**

Source: Global Equity Consulting, LLC research

*Most Active Companies:*

Company	Number of Deals	Rationale
<i>Atlas Copco</i>	11	<i>Compressor Technique business group</i> - accounted for all of the Atlas Copco deals: <i>&gt; Enhanced market presence</i> - Asia (India and Malaysia, Europe (Belgium and UK), North America (Canada) and South America (Columbia) <i>&gt; Expanded product offerings in key markets</i> - food and beverage, chemical, electrical and electronics, medical devices and general industry <i>&gt; Expanded product offerings for key applications</i> - compressed air treatment, onsite gas generation, filtration and laser cutting
<i>Dover</i>	2	<i>Expands product portfolio in key markets</i> for Pumps and Process Solutions segment: <i>&gt; Dewatering and drying equipment</i> - plastics industry <i>&gt; Cryogenic centrifugal pump technology</i> for the industrial gas and transportation markets
<i>Franklin Electric</i>	2	<i>Strengthens presence and product offerings in key markets:</i> <i>&gt; Water market</i> - Latin America (Columbia) <i>&gt; Dewatering applications</i> - mining industry in Australia

**Figure 8 - Fluid Handling Industry M&A Rationale Most Active**

Source: Global Equity Consulting, LLC research

## Outlook

2025 started with a high level of optimism for an improved business environment and a very active M&A market. And it seems that, for the most part, Fluid Handling Industry companies met or exceeded their Q1 2025 expectations for orders, revenue and earnings. However, despite that initial optimism and Q1 results, there is widespread uncertainty for the balance of the year.

It would be reasonable to expect that uncertainty would have a quieting impact on M&A activity to some extent. On the other hand, the rationale for the activity we see in the fluid handling space seems to be primarily driven by long-term strategies versus near-term macro factors. While the near-term conditions are likely to cause cautiousness, they are not likely to cause companies who have an active inorganic growth strategy to put that on hold or for companies to not pursue an opportunity they see as an attractive long-term strategic fit.

The activity levels of February and March, though much reduced from the extreme activity level of January, would still be an activity level on par with the strong activity level we have had over the last three years. Assuming the trade war threat continues to moderate and absent significant change in the growth expectations in the U.S. and Europe, our outlook would be for the level of activity for the balance of 2025 to be slower than Q1 but on par with the activity level of 2024.

We see the valuation outlook to be impacted by changes in the cost of capital (interest rates) but more so by acquirer's growth assumptions. The growth assumptions are likely to be impacted as the trade discussions evolve and by the extent to which pro-growth incentives will or will not be included in the U.S. tax bill. For now, our outlook is for the valuation levels to remain stable with the current levels, subject to the normal supply and demand fluctuations and individual company characteristics.

#### **About the Author**

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