

Fluid Handling Industry M&A Activity and Industry Performance – Review of 2014 and Look to 2015

The following is a summary of the key points covered in the presentation:

1) Review of the 2014 global and U.S. M&A activity and valuations

- Valuations are back to pre-recession levels
- Deal activity has been weighted toward large transactions
- Middle Market multiples experienced some softening particularly in the upper and lower ends of the middle market
- Quality companies (history of double digit revenue growth with above average profitability) earn a premium of approximately 20%

2) Review of the 2014 fluid handling industry M&A activity and valuations (further details are covered in the accompanying report)

- There was a 60% step-up in transaction activity in the industry in 2014 vs. 2013
- Companies serving the O&G market were the most sought-after targets (34% of the transactions)
- Largest deals were O&G related
- North America was the most active target geography (55% of transactions) followed by Europe, Middle East and Africa (33%) of transactions
- Overall industry valuations lagged the overall M&A market valuations by approximately 8%

3) Review of the industry performance and leading company performances for 2014.

- We use a worldwide basket of 61 public companies to gauge industry performance and benchmarks
- The industry had a very good year in 2014 with median revenue up 6.2% and median EBITDA up 13.6% vs. 2013
- The average increase in earnings per share was 23.6%

4) Outlook for M&A activity in 2015

- 2015 is expected to be another strong year for M&A activity but with some cautionary notes
- For 2015 companies are indicating they expect to do more deals in the mid to lower middle market (\leq \$250 million enterprise values)
- Companies have strong balance sheets and low cost debt availability
- Industry organic growth is not sufficient - leading companies will need to supplement organic growth with acquisitions
- More uncertainty going into 2015 in certain markets (O&G), economies and geopolitical factors
- Relatively high valuations with signs of softening in some segments may cause some buyers to wait

5) Outlook for industry performance in 2015

- Our outlook is compiled based on a basket of 30 worldwide public companies that provide guidance on revenue and/or earnings
- At the time of our report we have guidance from 12 industry leaders
- Growth rates in key industrial verticals will be modest at best
- Industry organic growth rates are projected to be in the low single digits
- Industry earnings growth is projected to be in the mid to upper single digits
- Fx exposure is a major headwind for U.S. companies particularly in the first quarter of 2015