

## FLUID HANDLING INDUSTRY M&A TRANSACTIONS UPDATE

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August 2020

This is a report on merger and acquisition transactions for manufacturers, distributors and service providers of dynamic (rotating or reciprocating) fluid handling equipment and related products for industrial, commercial and residential markets.

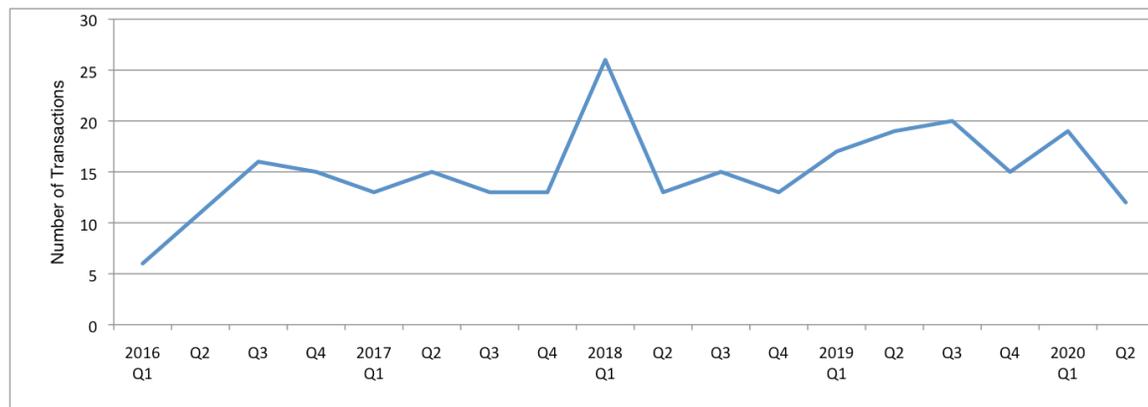
This report is provided by Global Equity Consulting and City Capital Advisors. We provide merger and acquisition and strategic advisory services including buy-side and sell-side representation, debt and equity capital formation, leveraged buyouts and ownership recapitalizations with a focus on the fluid handling industry.

The fluid handling industry second quarter M&A activity started slowly with two transactions announced in April and one in May. However, the quarter finished relatively strong with nine transactions announced in June with most of the activity focused in Europe while the U.S. fluid handling industry M&A activity continued to be weak.

However, we see little to no indication that valuation levels have taken a hit. It would seem that buyers, particularly strategic buyers, are willing to consider the current economic situation as a short term disruption and retain their confidence in their long term outlook. That confidence coupled with the continued availability of low cost debt supports the strategic buyers' capability, and willingness, to pay for quality acquisitions – at least for now.

Our report provides information on deal activity, valuations, notable transactions, outlook and industry transactions announced in Q2 2020.

### Deal Activity



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The volume of deals in the second quarter was relatively low with 12 announced transactions, one of which was a secondary offering of Ingersoll Rand shares. This low level of activity was driven by the high level of uncertainty due to the economic shut-down caused by the COVID-19 pandemic but as the quarter progressed there was a marked increase in M&A activity with nine of the twelve transactions for the quarter being announced in June.

However, it is noteworthy that the activity was focused primarily in Europe with nine of the target companies (not including the secondary offering of Ingersoll Rand shares) being located in Europe, one in Canada and one in China. The buying activity was almost exclusively from strategic buyers with only one of the acquisitions by private equity – Altos Partners acquisition of filter distribution and service company JL Filtration.

Seven of the targeted businesses were manufacturers and four were distribution and/or industrial service companies.

**Valuations**

There were two transactions with disclosed valuations in second quarter of 2020 and that information is provided in the Announced Transactions section of this report. As we have mentioned we see little to no evidence that valuations are weakening. In fact there is evidence to the contrary with data sources GF Data® and PitchBook both reporting an uptick in valuation multiples so far in 2020.

Below is historical information on valuations in the fluid handling industry.

Median EBITDA and Revenue Valuation Multiples						
Year	EBITDA Multiple	# Deals	Revenue Multiple	# Deals	Median Deal Size*	# Deals
2016	10.9	2	1.2	6	\$141.90	9
2017	13.4	15	1.7	19	\$203.23	20
2018	8.6	10	1.3	12	\$95.00	16
2019	10.8	7	1.3	14	\$146.24	18
<b>Four Year Median /Totals</b>	10.9	34	1.3	51	\$144.07	63

\* Millions USD

Note: # of deals shows the number of transactions used to calculate median figures in each category.

**Notable Transactions**

1. The activity for the quarter was predominately focused in Europe (9 of 11 target companies are based in Europe and of the nine, three are in the UK).
2. Private equity firm **KKR** sold 12,100,000 shares of **Ingersoll Rand** common stock at \$30.70/share in a registered secondary offering. This transaction flows from KKR's ownership of **Gardner Denver** and the merger of Gardner Denver with the Industrial Division of Ingersoll Rand who recently acquired **Precision Flow Systems** (Milton Roy®).

LMI®, Haskel®, BuTech®, Dosatron®, YZ Systems®, Williams® and Hartell®). Those combined businesses now trade on the NYSE under the symbol IR. Ingersoll Rand spun-off their air conditioning and refrigeration business into the publically traded **Trane Technologies (NYSE: TT)**.

3. **Valmet Oyj** took a 14.9% stake in the newly formed **Neles Oyj** (HLSE: NELES), which is a spin-off of the **Metso** flow control **business**. As a result of the spin-off Neles is a pure play flow control business while **Metso Outotec** (HLSE: MOCORP) continues Metso's focus on serving the aggregates production, mining, metals refining and recycling industries. Valmet Oyj acquired the shares of Neles Oyj from Solidium a holding company wholly owned by the State of Finland.

### Outlook

As we listen to the earnings calls of strategic buyers in the fluid handling industry we are hearing two things:

1. Cash generation was very strong in Q2 and year to date.
2. Companies are ready to resume pursuing acquisitions that are a strategic fit as soon as they are able to make site visits as well as resume other due diligence activities.

While the outlook remains uncertain companies in the industry seem to now feel more comfortable with their liquidity and ability to operate in the current environment. In our Q1 Outlook we said two key factors influencing the level of M&A activity going forward would be:

1. Do buyers have the same strategic imperatives that were driving the strong demand for acquisitions?
2. To what extent has the current situation impacted buyers' and sellers' risk tolerance and outlook for future growth?

It seems at this point in time buyers still have the same view of their long term strategic imperatives and for those who have viewed acquisitions as an important component of their growth strategy, they still feel that way and look forward to resuming their M&A activities.

It also seems at this point in time that buyers have not lost confidence in their business models or their outlook for future growth.

There are also indications that private equity firms are looking to bolster their platform businesses with bolt on acquisitions. That could be good timing with private business owners who may now have a reduced tolerance for the ongoing risk of ownership.

In summary, as we see the economic activity move toward normalization around the world it seems reasonable to expect M&A activity to also continue to rebound. While there may be some shift in the equilibrium going forward between the long running seller's market and a buyer's market, that shift is not yet apparent.

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**Announced Transactions**

Company	Deal	Date	Enterprise Value
<b>Altos Partners</b>	Acquired <b>JL Filtration</b> from <b>Clean Harbors</b>	April	
<p>Altos Partners LLC, a lower middle market private equity investment firm, has acquired JL Filtration from Clean Harbors, Inc. In addition to co-investment from JL Filtration's incumbent management team, ATB Private Equity and the Mikisew Group are new shareholders of the Company. JL Filtration is a provider of industrial filtration equipment and services addressing the environmental compliance needs of its customers across Canada. Headquartered in Edmonton, the Company services facilities located in the provinces of Alberta, British Columbia, Ontario, and Quebec.</p>			
<b>Atlas Copco</b>	Acquired <b>Ovity Air Comprimé</b>	June	
<p>Atlas Copco has acquired French industrial equipment supplier Ovity Air Comprimé. Specializing in the distribution of industrial air compressors and solutions for compressed air, Ovity Air Comprimé is located in Le Mans in the Loire Valley in France. The company has eight employees. The company will become part of the service division within the Compressor Technique Business Area. The purchase price was not disclosed.</p>			
<b>CECO Environmental Corp</b>	Acquired <b>Environment Integrated Solutions</b>	June	\$12.2 mm 0.76x revenue
<p>CECO Environmental Corp., an air quality and fluid handling technology company, has acquired Environment Integrated Solutions Limited ("EIS"). Headquartered in Birmingham UK. EIS engineers products that clean air through a variety of technologies including VOC abatement, odor control, and other air pollution control solutions. This acquisition advances CECO's mission to solve the sustainability challenges that come with the demands of industrial progress. EIS annual revenues are approx. \$16 million and the purchase price was \$12.2 including a targeted earnout.</p>			
<b>Grundfos</b>	Acquired <b>Silhorkon - Eurowater</b>	June	
<p>Grundfos has entered into an agreement to acquire Eurowater, and thereby strengthening its value proposition within the water treatment business. The acquisition aligns closely with Grundfos' strategy to strengthen its innovation leadership within water technology, and supports the company's purpose to pioneer solutions to the world's water and climate challenges and improve the quality of life for people. Headquartered in Denmark, Eurowater serves primarily the European markets with a range of water treatment offerings, with a focus on customers in the industrial and municipal sectors. The transaction is subject to regulatory approvals and is expected to be closed during autumn 2020.</p>			
<b>Hidrostal (GB) Ltd</b>	Acquired electrical and mechanical engineering business from <b>Parsons Peebles Service Ltd</b>	June	
<p>Hidrostal (GB) Ltd, the UK holding company for the Swiss pump manufacturer Hidrostal, is has announced the acquisition of four (4) service centre locations of the electrical &amp; mechanical engineering services company, Parsons Peebles Service Limited, a subsidiary of Parsons Peebles Group Limited. Parson Peebles are a rapid response, full scope, supplier of electromechanical products and services across a wide range of industries including power, oil &amp; gas, renewables, water, mining &amp; minerals, and general industrial sectors. The newly acquired company will trade as Avonmouth Engineering Services Ltd and will provide Hidrostal with a custom-built 70,000 square foot workshop in Avonmouth, which will be the largest, single workshop facility for electrical and mechanical repairs in the UK.</p>			
<b>Ingersoll Rand</b>	Secondary offering of common shares by <b>KKR</b>	June	\$371 mm
<p>Ingersoll Rand Inc. has announced that KKR Renaissance Aggregator L.P. (the "Selling Stockholder") intends to offer for sale in an underwritten secondary offering 12,100,000 shares of common stock of Ingersoll Rand pursuant to a registration statement filed by Ingersoll Rand with the U.S. Securities and Exchange Commission (the "SEC"). No shares are being sold by Ingersoll Rand. The Selling Stockholder will receive all of the proceeds from this offering. The shares were priced at the public offering price of \$30.70 per share.</p>			
<b>Interpump Group S.p.A.</b>	Acquisition of <b>Servizi Industrial Srl</b>	May	€5.5 mm (\$6.0) 0.69x revenue
<p>Interpump Group announced the acquisition of a control stake in Servizi Industriali Srl, a company</p>			

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<p>operating in design, production and sales of centrifugal separators with the <b>Macfuge brand</b>, headquartered in Ozzano Emilia near Bologna, Italy. Macfuge systems are used for separation and clarification in the food, chemical and pharmaceutical industries, as well as in the energy sector; In FY2019 the company registered sales of 7.7 million euro (\$8.6), a growth of 40% compared to the previous year, and achieved an EBITDA margin close to 22%. The transaction envisions the acquisition of 80% of Servizi Industriali Srl. The remaining 20% stake is in the hands of the company management.</p>			
<b>Kobe Steel Ltd</b>	Acquired controlling interest in <b>Wuxi Compressor</b>	June	
<p>Kobe Steel, Ltd announces that it has turned its Chinese affiliate, Wuxi Compressor Co., Ltd., into a subsidiary after acquiring additional shares in the company in April 2020. Based in Wuxi, Jiangsu Province, Wuxi Compressor manufactures designs and sells non-standard (process gas) compressors, a core component used in petroleum refining, chemical and natural gas plants. In response to the growing demand for non-standard compressors in China, Kobe Steel acquired a 44.3% equity share of Wuxi Compressor from Wuxi Victor Group Co., Ltd. in 2011. With Kobe Steel's equity participation, Wuxi Compressor began to improve its manufacturing, design and sales capabilities. Kobe Steel reached agreement with Wuxi Victor to acquire an additional 25.7% in Wuxi Compressor, turning it into a 70% owned subsidiary of Kobe Steel.</p>			
<b>Rotamec Engineering Solutions</b>	Acquired <b>Summers &amp; Panes</b>	June	
<p>Rotamec, a UK provider of electro-mechanical repair services, has expanded its capabilities in the South-West with the acquisition of Summers &amp; Panes Ltd. Based in Nailsea, Summers &amp; Panes is a specialist in the repair of motors, pumps, fans and blowers – a service it will continue to provide as part of Rotamec. Operating branches throughout the UK, Rotamec provides maintenance service for motors, gearboxes, pumps, fans, blowers and associated power transmission components.</p>			
<b>Sulzer</b>	Acquired 25% stake in <b>Tamturbo PLC</b>	June	
<p>Sulzer has made an investment to acquire 25% of Tamturbo Plc. Founded in 2010, Tamturbo is a technology company based in Finland that develops and manufactures oil-free industrial air compressor systems. The successful co-operation with Sulzer started in 2018 with a sales and supply agreement as Tamturbo's oil-free industrial air compressors fit well with Sulzer's lower pressure compressor offerings in industries such as pulp and paper, food, metals, mining and chemical processing.</p>			
<b>Valmet Oyj</b>	Acquired 14.9% stake in <b>Neles Corp</b> (spin-off of <b>Metso Flow Control business</b> )	June	€1.2 billion (\$1.38)
<p>Valmet agreed to acquire 22,374,869 shares in the Neles Corporation from Solidium Oy, representing 14.88% of all Neles' shares and votes. Neles is a valve, valve automation and service company with strong exposure to the pulp and paper industry. The transaction between Valmet and Solidium took place on July 1, 2020. The agreed purchase price was EUR 8.00 (\$9.16) per share, corresponding to a total transaction value of EUR 179 million (\$205) at the signing, paid 100% in cash. Neles Corporation was created in the partial demerger of Metso, in which Metso's Flow Control business became the independent Neles Corporation and it continues Metso's listing on Nasdaq Helsinki. The completion of the partial demerger took place on June 30, 2020.</p>			
<b>Voith GmbH &amp; Co.</b>	Acquired <b>Elin Motoren GmbH</b>	April	
<p>Voith announced the successful completion the acquisition of ELIN Motoren GmbH. ELIN Motoren, headquartered in Austria, is a high-tech company in the field of electric motors and generators that is active worldwide and supplies individualized solutions for industrial applications. ELIN Motoren will remain independent as a business and will continue to be active using the established ELIN Motoren brand. ELIN Motoren GmbH has about 1,000 employees and generates a turnover of about €120 million (\$134). The company manufactures electric motors and generators in small series, as well as individualized solutions for industrial applications. In this area, the company focuses on electric machines, motors in the low-voltage, medium-voltage but also in high-voltage range, and generators, in particular for wind energy and decentralized energy generation. With its product portfolio, ELIN Motoren serves the target markets wind energy, plastics, tunnels and mining, oil and gas, plant construction, as well as power plants.</p>			

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**Note:** Amounts shown as \$ are USD unless noted otherwise. Currency conversions are done at the exchange rate for the relevant period.

**Terms:** 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.

**Abbreviations:** b = billions; EV = enterprise value k = thousand; mm = millions; Rev = Revenue

**Sources:** Company Announcements, Capital IQ, PitchBook, GF Data® and SEC Filings

**Disclaimer:** The information provided in this report is not intended to be used for valuation, market comparison, investment or other transaction related purposes.

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Global Equity Consulting, LLC and City Capital Advisors, LLC combine our in-depth fluid handling industry experience and extensive M&A experience to drive optimal outcomes for our clients.

- Transition of Ownership
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