



FLUID HANDLING INDUSTRY MARKET REPORT

M&A TRANSACTIONS FIRST HALF - 2016

Q1 and Q2 2016 Market Report

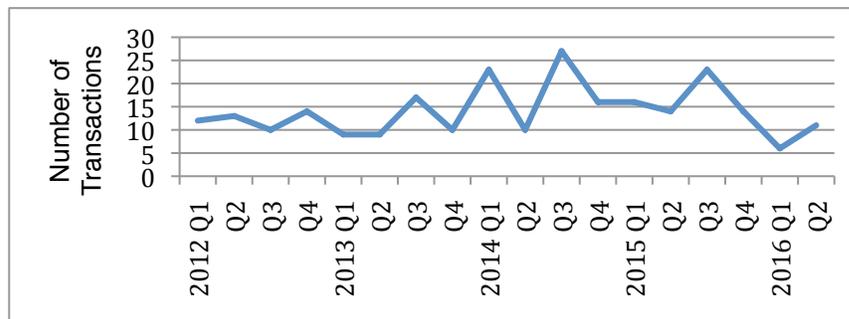
August 2016

This is a report on merger and acquisition transactions announced in the first and second quarters of 2016 for manufacturers, distributors or service providers for dynamic (rotating or reciprocating) fluid handling equipment and related products - except drivers and power transmission products – for industrial markets.

The report is compiled by **Global Equity Consulting, LLC and City Capital Advisors**. Global Equity Consulting and City Capital Advisors provide merger and acquisition advisory services including: buy-side and sell-side representation, debt and equity capital formation, leveraged buyouts and ownership recapitalizations.

Industry Deal Activity Level

The industry transaction activity in the first half of 2016 declined 44% from the first half of 2015 with 17 announced transactions in the first half of 2016 compared to 30 announced transactions in the first half of 2015. Sequentially deal activity increased substantially in Q2 2016 with 11 transactions compared to only 6 in Q1 2016. The deal volume in Q1 2016 is the lowest level of activity in any quarter in the last 5 years. The broader M&A market also has seen a slow down in deal volume the first half of 2016, particularly in Q1. Some reports speculate the fall off is due to more restrictive lending for private equity transactions but it would appear that the private equity activity in the fluid handling industry has not dropped off – three of the seventeen deals involved private equity add-ons or secondary transactions. In the fluid handling industry there is still a high demand for quality acquisitions so the slow down in deal activity may be a reflection of the supply of quality acquisitions available and perhaps an imbalance in valuation expectations.



Annual Transactions

2012	49
2013	45
2014	76
2015	67
2016 1 st half	17

Figure 1: Announced Transactions 2011 – 2015

Notable Transactions – see Announced Transactions for more complete descriptions of the transactions

The most notable transaction impacting the fluid handling industry in the first half of 2016 was the announced merger between **Technip and FMC Technologies**. The merger creates a company with \$20 billion in annual revenue and an integrated capability to serve all upstream segments of the oil and gas industry including surface, subsea, onshore and offshore.

Most Active Companies - see Announced Transactions for more complete descriptions of the transactions

Atlas Copco continued their aggressive acquisition program with four acquisitions – two piston compressor manufactures and two distributors of air compressor products

Axflow Holding AB continued their strategy to grow outside Europe with an acquisition in South Africa and expanded their footprint as well as their product line in Europe with an acquisition in Sweden.

Announced Transactions

Company	Deal	Date (2016)	Comments	Enterprise Value
Applied Industrial Technologies	Acquires Seals Unlimited (Canada)	June	Applied Industrial Technologies (NYSE: AIT) has acquired Seals Unlimited, a distributor of sealing, fastener and hose products, located in Burlington, Ontario. In addition, the company provides engineering support and consulting services in a variety of industries, including power generation, water filtration, steel, aerospace and plastics. Founded in 1971, Seals Unlimited and its team of 15 associates operate from a single location.	
Atlas Copco	Acquires FIAC	January	FIAC is based in Bologna, Italy, and has about 400 employees. The company offers a broad range of piston compressors, air treatment products, and spare parts. Founded in 1977, FIAC has production sites in Italy, China and Brazil, and sells into more than 110 countries. It had revenues in 2014 of about MEUR 70 (\$89.3 million).	
Atlas Copco	Acquires Scales Industrial Technology, Inc.	April	Scales Industrial Technologies is based in Carle Place, New York, and operates in the Northeastern region of the U.S. The company has about 180 employees. The business is focused on distribution, service and rental of compressors and air treatment systems for use in such areas as manufacturing and construction.	
Atlas Copco	Acquires Kohler Druckluft	May	Kohler Druckluft is based in Eschen, Liechtenstein, with operations also in Austria and Switzerland. The company has about 30 employees. The company is an authorized Atlas Copco compressor distributor and specializes in selling, renting out and servicing industrial air compressors and air treatment systems.	
Atlas Copco	Acquires Schneider Druckluft GmbH	June	Schneider Druckluft, a designer and producer of compressed air solutions is based in Reutlingen near Stuttgart, Germany, and has about 110 employees. It also has offices in the Czech Republic and Slovakia. The company focuses mainly on piston compressors but offers a wide range of related products and services. It had revenues in 2015 of around MEUR 27 (\$28.8 million).	
AxFlow Holding AB	Acquires AQS Liquid Transfer Ltd.	February	AxFlow Holding, based in Stockholm Sweden, has acquired the majority share in AQS Liquid Transfer, an importer and distributor of pumps in South Africa. The growth initiative is in line with AxFlow's strategy to expand its business outside Europe. AQS was formed in 1994 in Pretoria and from its 8 branches provides a nationwide sales and pump repair service. AQS serves the mining industry, utilities and agriculture. Annual sales exceed 140 MZAR (\$10.5 million) and the number of employees is 103.	
AxFlow Holding AB	Acquires Esspump AB	June	AxFlow, extends its product portfolio and Swedish market coverage with the acquisition of Esspump AB. AxFlow represents a number of pump manufacturers including: Mono, Nash, Waukesha, Hermetic, Blackmer and Maag. With the addition of Esspump, the product range is extended to also include equipment from Wilden, Almatec, OBL, Mouvex, System One and Quattroflow.	
Bilfinger SE	Divests Water Technology Division	February	The engineering and services group Bilfinger is selling its Water Technologies division (now Aqseptence Group). The buyer is Chinese company Chengdu Techcent Environment Group. Bilfinger's net proceeds from the sale will amount to approximately €200 million. In the Water Technologies division, with about 1,600 employees generated an output volume of approximately €300 million (\$320 million) in 2015.	€200 million (\$213 million) 0.7 x revenue
Cimarron Energy	Acquires Diverse Energy Systems	February	Cimarron Energy has acquired substantially all of the assets of Diverse Energy Systems. The integration of the business interests of Cimarron and Diverse are part of Cimarron's strategic plan to create a single source supplier of production, processing, and environmental equipment and related services for customers in the upstream and midstream oil and gas markets.	

Announced Transactions

Company	Deal	Date (2016)	Comments	Enterprise Value
Now, Inc.	Acquires Power Service, Inc.	April	NOW Inc. (NYSE:DNOW) announced that it has entered into an agreement to purchase Power Service, Inc. Founded in 1954, Power Service provides rotating and process equipment engineering, design, installation, fabrication and service solutions for the oil and gas market as well as the mining, power generation and general industrial industries. Power Service operates in 14 locations. Power Service employs approximately 400 employees.	
Ohio Transmission Corp.	Acquires PumpTek LLC	January	Ohio Transmission Corporation, an industrial equipment service provider and distributor headquartered in Columbus, Ohio, announces the acquisition of PumpTek. The team at PumpTek, LLC, headquartered in Monroe, Ohio, specializes in pumps with seal-less technology.	
Parker Hannifin Corp.	Divests Nichols Portland	March	Altus Capital Partners, an investment firm focused on middle market manufacturing companies in the U.S., announced the acquisition of Nichols Portland a division of Parker Hannifin Corporation. Nichols Portland is a designer and manufacturer of precision powder metal fixed and variable displacement gears including gerotor gears and smart pumps for automotive and on-off highway and other industrial markets.	
Technip SA	Merges with FMC Technologies, Inc.	May	Technip (Euronext: TEC) and FMC Technologies, Inc. (NYSE: FTI) announced the companies will combine. The combined company will be called TechnipFMC. The combined company will offer a new generation of comprehensive solutions in subsea, surface and onshore/offshore segments. With more than 49,000 employees operating in over 45 countries, TechnipFMC generated 2015 combined revenue of approximately \$20 billion and combined 2015 EBITDA of approximately \$2.4 billion.	
Wajax Industrial Component	Acquires Wilson Machine Co. Ltd.	April	Wajax, a Canadian industrial products distributor and service provider, has acquired the assets of Montreal-based Wilson Machine Co. Ltd ("Wilson"). Founded in 1913, Wilson provides the repair of precision rotating machinery and gearboxes. Wilson estimates it has custom designed, overhauled and serviced more than 10,000 gearboxes to date. Wilson has annual sales of C\$6.0 million (\$4.5 million).	C\$5.0 million (\$3.7 million) 0.8 x Revenue
Wärtsilä Corp.	Acquires American Hydro	June	Wärtsilä announces that it has acquired the USA and Canada based company Weir American Hydro from the Weir Group plc. American Hydro is a supplier and installer of large equipment upgrades and servicing for the hydroelectric and water distribution industries, specializing in consultancy, design and precision performance enhancements for hydro-turbines and pumps. With its headquarters in York, Pennsylvania, USA and a service center in Montreal, Canada, they currently employ 241 people, with net sales of \$45.6 million in 2015.	
Wilo SE	Acquires GVA	May	Pump and pump system manufacturer WILO SE is expanding its sewage technology business and taking over GVA (Gesellschaft für Verfahren der Abwassertechnik GmbH & Co. KG) with retroactive effect from 1 January 2016. GVA, with headquarters in Wülfrath and a production site in Sangerhausen (Saxony-Anhalt), is a German company specializing in system technology and system components for biological sewage treatment.	
Wood Group	Acquires SVT Engineering Consultants	April	Wood Group has acquired SVT Engineering Consultants (SVT) based in Australia. SVT, with headquarters in Perth, provides piping and rotating equipment vibration, noise, integrity engineering and asset integrity services. SVT's client base now covers the onshore and offshore oil and gas market including liquefied natural gas (LNG), as well as mining, power and utilities sectors.	

Activity by Industrial Segments

Our diversified category is comprised of target companies who serve multiple industry sectors and, as usual, is the category with the majority of the transactions. The majority of the transactions in this period (9 of 17) were acquisitions of distribution & service businesses, which tend to service multiple industry sectors.

<u>Segment</u>	<u>Number of Deals</u>	<u>Percent of Total</u>
Diversified	11	65%
Oil & Gas	3	17%
Water/Wastewater	2	12%
Transportation	1	6%
Total	17	100%

Activity by Targeted Geographies in 2015

The majority of the target companies were located in North America followed quite closely by Europe/Middle East/Africa (EMA) with over 40% of the target companies in that region. This is consistent with the mix of targeted company locations that occurred in 2015 and represents a continuation of a high level of interest in targeted companies based in Europe.

<u>Area</u>	<u>Number of Deals</u>	<u>Percent of Total</u>
North America	9	53%
Europe, Middle East, Africa	7	41%
Asia, Australasia	1	6%
South America	0	0%
Total	17	100%

Fluid Handling Industry Disclosed Transaction Valuations for the Last Twelve Months (LTM) ending December 2015

<u>Deal Size</u>	<u>Number of Transactions</u>	<u>EV/Revenue Multiple Range</u>	<u>EV/Revenue Multiple Median</u>	<u>EV/EBITDA Multiple Range</u>	<u>EV/EBITDA Multiple Median</u>
≥ \$1 billion	1			8.8	8.8
\$500 - \$999 million	1	1.36	1.36		
\$100 – \$499 million	4	0.67 – 3.42	3.30	10.9 – 11.9	11.4
\$50 - \$99 million	0				
\$10 – 49 million	3	0.32 – 2.15	1.09		
\$0 - \$9 million	1	0.83	0.83		

* One transaction

Note: Amounts shown as \$ are USD unless noted otherwise. Currency conversions are done at the average exchange rate for the month in which the transaction is announced. Prior year amounts are converted at the average exchange rate for relevant period.

Sources: Company Announcements, Capital IQ and SEC Filings

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.

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

Contact: Thomas Haan, Principal Global Equity Consulting, LLC FINRA registered investment banking representative associated with City Capital Advisors, a FINRA registered broker-deal and SIPC member Chicago IL (www.city-cap.com)

thaan@GlobalEquityConsulting.net • T 269 385 5186 • www.GlobalEquityConsulting.net