

**Pump Industry M&A Activity:
A Look Back at 2012
and
A Look Ahead to 2013**

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Presenters



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Managing Director



Global Equity Consulting, LLC

Thomas Haan
Principal



Overview

- About City Capital and Global Equity Consulting
- About the Presenters
- A Look Back at 2012
 - M&A activity
 - Where was the action?
 - Who were the buyers and sellers?
 - A Look at the most active – what they bought and what they paid
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 - Global M&A activity
 - US M&A activity
 - Valuations
- A Look Ahead to 2013
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 - Driving forces
 - Strategic implications



About City Capital Advisors

Member of FINRA and SIPC

- Mission: to provide senior level corporate finance advice and unparalleled execution services to leading middle market companies and their owners.
- Each Managing Director has 20+ years experience; Collectively they have completed 500+ transactions totaling \$60+ billion in value.
- Provides M&A advisory and other investment banking services to private and publically held middle market companies valued between \$50 and \$500 million.



About Global Equity Consulting, LLC

- Mission: to be a preeminent provider of investment banking and business development services for middle market manufacturing, industrial distribution and industrial service companies.
- Provides experienced, hands-on investment banking and business development services for middle market businesses.



About Barry Craig

Barry has spent 25+ years advising privately owned and publicly traded companies in the development and execution of acquisitions, divestitures and sale/merger strategies.

Prior to City Capital, Barry worked for Bank of America Securities and Lehman Brothers. Representative clients Barry has advised include Boeing, Sara Lee, National Semiconductor, Brunswick, Bridgestone/Firestone, The Coleman Company, M.A. Hanna, Valmont and IDEX Corp.

- Managing Director, City Capital Advisors, LLC 2006
- *Previous Experience:* Bank of America Securities; Lehman Brothers
- *Education:* Williams College; MBA, Kellogg School of Management at Northwestern University



About Thomas Haan

Tom has 37+ years experience managing manufacturing companies serving the process industries. Tom's experience includes managing businesses in North and South America, the Middle East and Asia.

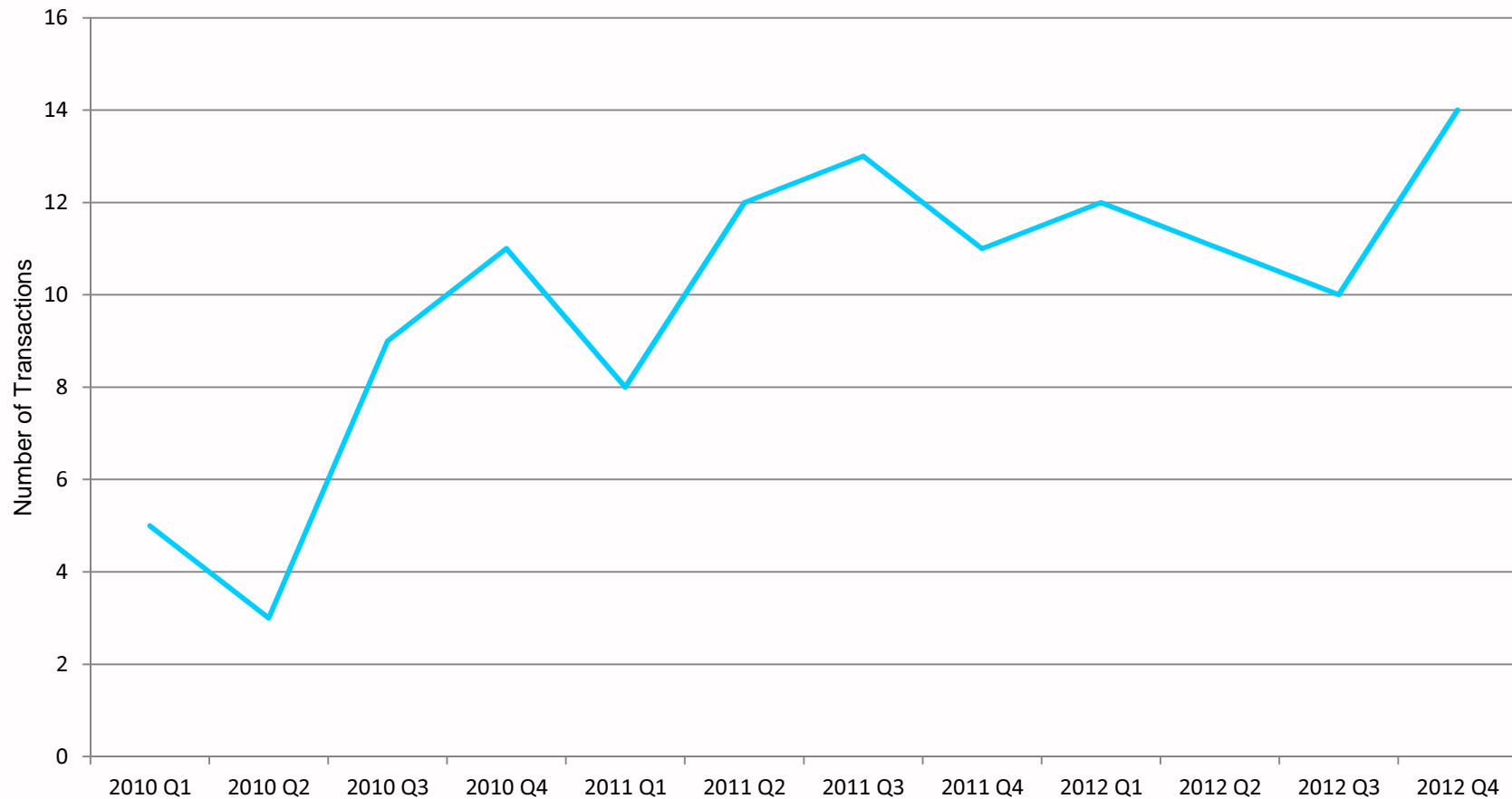
He has served on the Board of Directors of the Hydraulic Institute and as chairman of its Associate Member Council. Tom is a current member and past president of the Fluid Sealing Association.

- Operating Director, City Capital Advisors, LLC 2007
- Principal, Global Equity Consulting, LLC 2006
- *Previous Experience:* President EagleBurgmann Industries; President Flowserve Corporation Flow Solutions (Mechanical Seal) Div.
- *Education:* School of Business of Western Michigan University



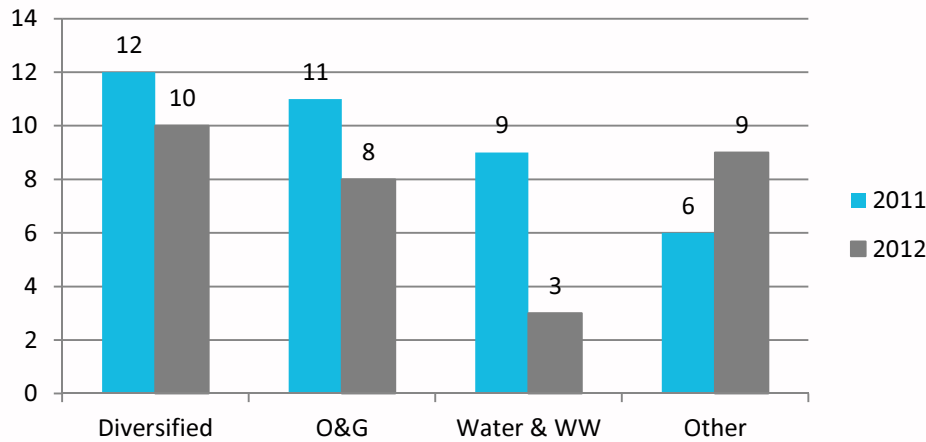
A Look Back at 2012:

Pump Industry M&A Activity Per Quarter 2010-2012

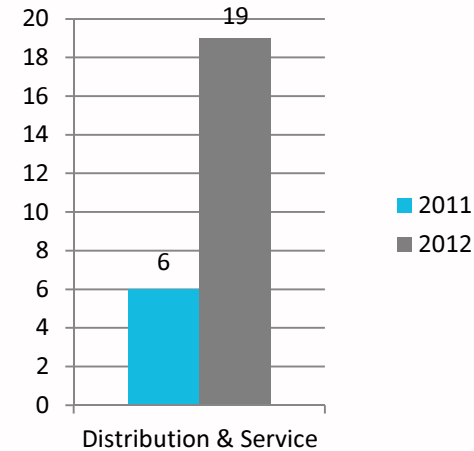




A Look Back at 2012 - Pump Industry M&A Activity 2011 & 2012



Transactions involving manufacturing companies by end-use markets



Transactions involving distribution and service businesses

Buyers Are Overwhelmingly Strategic vs. Financial	
2011	2012
Total Transactions 44	Total Transactions49
Strategic Buyers 41	Strategic Buyers46
Financial Buyers (Private Equity) .. 3	Financial Buyers (Private Equity) .. 3



A Look Back at 2012: Review of Oil and Gas Transactions

Buyers 2011					
US / Canada	# of Deals	Europe / Middle East / Africa	# of Deals	Australasia / Asia	# of Deals
Colfax	1	Atlas Copco	1		
Dover	3	HMS	2		
GE Oil & Gas	1				
Lime Rock Partners	1				
Lufkin	1				
Schlumberger	1				
Total	8		3		

Buyers 2012					
US / Canada	# of Deals	Europe / Middle East / Africa	# of Deals	Australasia / Asia	# of Deals
Black Horse, LLC	1	HMS	2	Torishima Pump Mfg. Co.	0.5 ¹
Cameron	1	Pompetravanini SpA	1		
Fluid Equipment Dev. Co.	0.5 ¹	Weir Group plc	1		
ITT	1				
Total	3.5		4		0.5

¹ 50/50 Joint Venture to form Advanced Pumps International



A Look Back at 2012: Review of Oil and Gas Transactions

Sellers 2011		
US / Canada	Europe / Middle East / Africa	Australasia / Asia
Artificial Lift	Bobruisk Machine Building	Tianjin RedScrew Pump
Harbison Fischer	Framo Engineering	
JC Carter	Rosscor Holdings BV	
Oil Lift Technologies	Sibneftemash	
Quinn Oilfield Supply	Wood Group	
5 transactions	5 Transactions	1 Transaction
Sellers 2012		
US / Canada	Europe / Middle East / Africa	Australasia / Asia
Advanced Pumps International	Apollo Goessnitz	
Novatech	Bornemann	
ProSource	KazanKompressorMash	
Schlumberger	NSB Gas Processing AG	
4 Transactions	4 Transactions	



A Look Back at 2012:

Review of Distribution and Service Transactions

Buyers 2011					
US / Canada	# of Deals	Europe / Middle East / Africa	# of Deals	Australasia /Asia	# of Deals
ITT	1	Axflow	2	Hitachi Plant Technologies	1
Tencarva	1				
United Rentals	1				
Total	3		2		1

Buyers 2012					
US / Canada	# of Deals	Europe / Middle East / Africa	# of Deals	Australasia / Asia	# of Deals
Applied Industrial Technologies	1	AESPump	2		
Best PumpWorks	1	Tsurumi Europe	1		
DXP Enterprises	5				
Gorman-Rupp	1				
Hertz Equipment Rental Corp.	1				
Harvest Partners	1				
Hydralex Global	1				
Kaman Industrial Technologies	2				
National Oilwell Varco	2				
Xylem	1				
Total	16		3		



A Look Back at 2012:

Review of Distribution and Service Transactions

Sellers 2011		
US / Canada	Europe / Middle East / Africa	Australasia / Asia
Blue Mountain Equipment Rentals	Chemo-Invest Special Pumpar	Blakers Pump Engineers
GPM Industrial / Environmental	Saihati Weir	
	TM-Palvelu OY	
2 transactions	3 Transactions	1 Transaction

Sellers 2012		
US / Canada	Europe / Middle East / Africa	Australasia / Asia
Aledco	Hydreutes / Hidrovento	
American Pump Technology	James Walker Pump & Valve	
CE Franklin (Schlumberger)	Pumptron	
DW Pumps	Ultimate Vacuum	
FCx Performance		
Flint Hydrostatics		
Florida Bearings		
Force Engineered Products		
Heartland Rentals		
HSE Integrated Ltd.		
Industrial Paramedic Services		
Parts Associates		
Pump & Power (Lenexa KS)		
Schlumberger (Wilson Distribution)		
Zeller		
15 Transactions	4 Transactions	



A Look Back at 2012:

The Most Active Companies - What They Bought, Why and What They Paid

Acquiring Company	Deals	Acquired Business	Transaction Rationale	Transaction Value ¹	EV/Revenue Multiple ²	EV/EBITDA Multiple ²
DXP Enterprises	5	Aledco Inc.	These three acquisitions are pump distribution businesses that expand DXP's presence in some of the smaller industrial areas of the U.S.			
		Force Engineered Products				
		Pump & Power Inc. (Lenexa KS)		\$1.9		
		HSE Integrated Ltd.	Creates a meaningful presence in Canada and expands Safety Services Division and Service Center Operations	\$79.5 (CAD)	0.78	5.1
		Industrial Paramedic Services	Further expands DXP presence in Canada particularly in with industrial clients operating in remote locations and large facilities in Western CA	\$24.0	1.1	6.0
¹ Amounts are millions of USD unless otherwise noted ² Base on Last Twelve Months unless otherwise noted						



A Look Back at 2012:

The Most Active Companies, What They Bought, Why and What They Paid

Acquiring Company	Deals	Acquired Business	Transaction Rationale	Transaction Value ¹	EV/Revenue Multiple ²	EV/EBITDA Multiple ²
Hydraulic Machines and Systems (HMS)	3	Dimitrovgradkhimmash	This transaction is to acquire an additional 11% stake in the company bringing the HMS total ownership to 51%. The acquisition strengthens HMS market positions in oil downstream, chemical, petrochemical and gas processing industries in Russia and the CIS by broadening and diversification of the product portfolio.	\$7.05	1.2	4.8
		Apollo Goessnitz	The acquisition of 75% of Germany based Apollo strengthens the HMS API pump product offerings refineries, petrochemical and chemical markets in Russia and the CIS. According to HMS Frost and Sullivan is projecting a CAGR in these markets of 20.3% 2010 thru 2015. Apollo management retains 25% stake.	€26.6	1.7	8.7 (x pro'j '12)
		KazanKompressormash	This acquisition of a 75% share in KKM is a product extension into centrifugal and screw compressors for HMS core end-use markets: oil & gas upstream and transportation, metals and mining and general chemical. According to the company the total Russian compressor market was valued at \$2.1 billion in 2010 and is expected to grow at CAGR of 17.8% 2011 -2016.	\$168	2.6 (x 2011)	19 (x 2011)
¹ Amounts are millions of USD unless otherwise noted ² Base on Last Twelve Months unless otherwise noted						



A Look Back at 2012:

The Most Active Companies, What They Bought, Why and What They Paid

Acquiring Company	Deals	Acquired Business	Transaction Rationale	Transaction Value ¹	EV/Revenue Multiple ²	EV/EBITDA Multiple ²
National Oilwell Varco	3	CE Franklin	The acquisition of CE Franklin from Schlumberger expands NOV's distribution and transmission business segment's position serving the oil and gas producers in Canada with 39 branch locations, primarily in Western Canada.	\$227.5 (CAD)	0.4	8.1
		Wilson International	The acquisition of Wilson International, Inc. from Schlumberger further expands NOV's distribution and service capability to the Oil and gas market as well as refining, chemical mining, power and other industrial segments in North America.	\$800.0	0.4	
		Robbins & Myers	This acquisition provides NOV with strong brands and complementary products for the upstream oil and gas market as well as strong brands and customer base in the rejuvenating U.S. Chemical market.	\$2,385.7	2.3	9.4

¹ Amounts are millions of USD unless otherwise noted

² Base on Last Twelve Months unless otherwise noted



A Look Back at 2012: Other Highlighted Transactions

Acquiring Company	Acquired Business	Transaction Rationale	Transaction Value ¹	EV/Revenue Multiple ²	EV/EBITDA Multiple ²
Dover Corp. Pump Solutions Group	Maag Group	According to Dover management this acquisition is consistent with the PSG strategy of expanding its portfolio of positive displacement pump and related technologies within their core markets of chemical and petrochemical.	\$285	1.7	
¹ Amounts are millions of USD unless otherwise noted ² Base on Last Twelve Months unless otherwise noted					



A Look Back at 2012: Other Highlighted Transactions

Acquiring Company	Acquired Business	Transaction Rationale	Transaction Value ¹	EV/Revenue Multiple ²	EV/EBITDA Multiple ²
Weir Group	Novatech	The deal continues Weir's upstream oil & gas strategy with the acquisition of a leading provider of well service pump expendables (valves and valve seats for pumps in unconventional applications – Frac Pumps, Cement Pumps and Drilling Mud Pumps. The market size has quadrupled since 2009 and is driven by pressure pumping activity. Novatech is clear number 2 in the market behind Mission (NOV).	\$180	2.9 (YE Sept. 2011)	7.1 (YE Sept. 2011)
¹ Amounts are millions of USD unless otherwise noted ² Base on Last Twelve Months unless otherwise noted					



A Look Back at 2012: Other Highlighted Transactions

Acquiring Company	Acquired Business	Transaction Rationale	Transaction Value ¹	EV/Revenue Multiple ²	EV/EBITDA Multiple ²
ITT	Bornemann Pumps	This acquisition brings to ITT Industrial Process segment a significant new capability in positive displacement technology and multiphase application experience for the upstream oil and gas market.	€206	1.8 (YE 2011)	
¹ Amounts are millions of USD unless otherwise noted ² Base on Last Twelve Months unless otherwise noted					



A Look Back at 2012: Other Highlighted Transactions

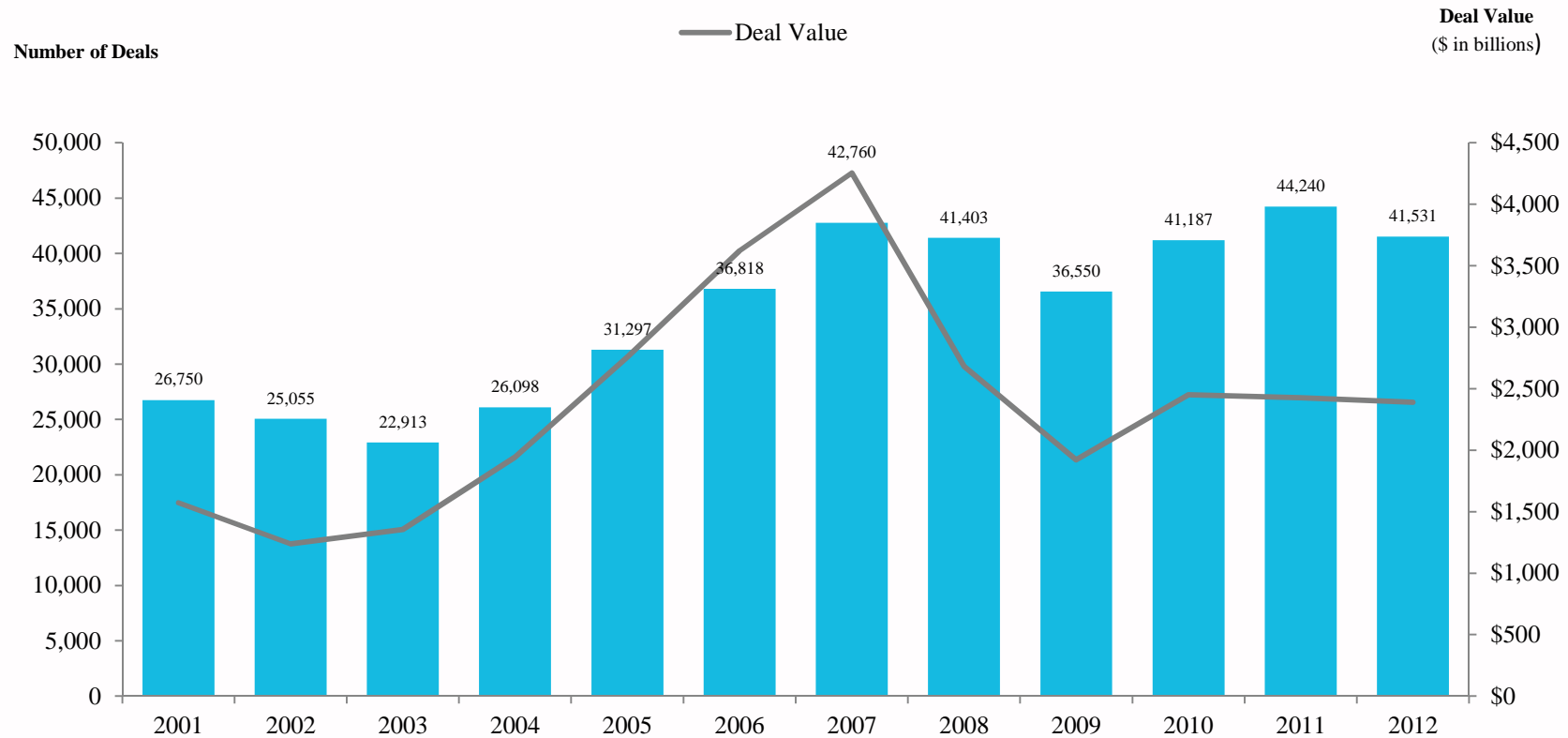
Acquiring Company	Acquired Business	Transaction Rationale	Transaction Value ¹	EV/Revenue Multiple ²	EV/EBITDA Multiple ²
Carlyle Group and BC Partners	Hamilton Sundstrand	The private equity buyers have stated they believe the three separate businesses; Sundyne, Milton Roy and Sullair are all strong businesses that generate excellent free cash flow and they can be even better with additional investment. It is their intention to keep the businesses together and build from that platform with further acquisitions.	\$3,440		9.6

¹ Amounts are millions of USD unless otherwise noted

² Based on estimated 2012 EBITDA of \$360 million (Pump \$200 Compressor \$160) Source WSJ 15 May 2012.



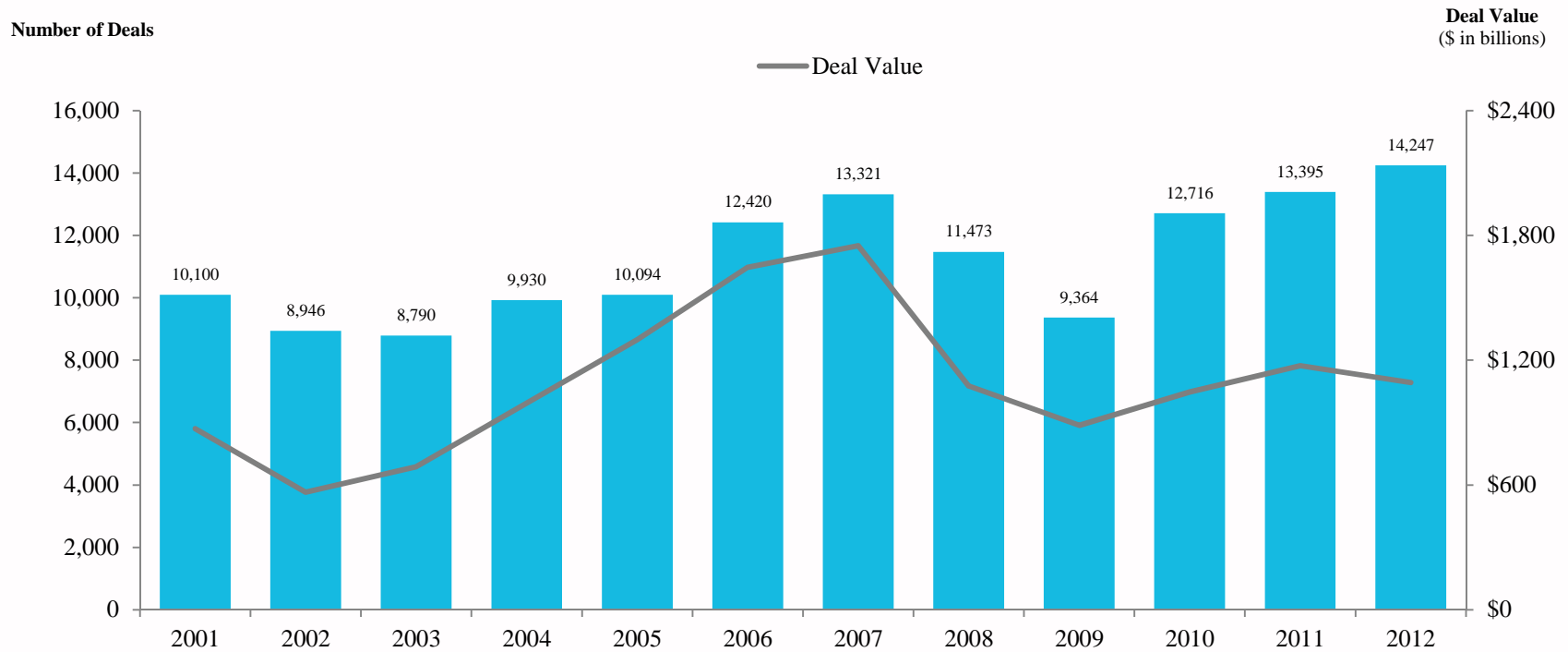
A Look Back at 2012: Global M&A Activity



Source: Dealogic



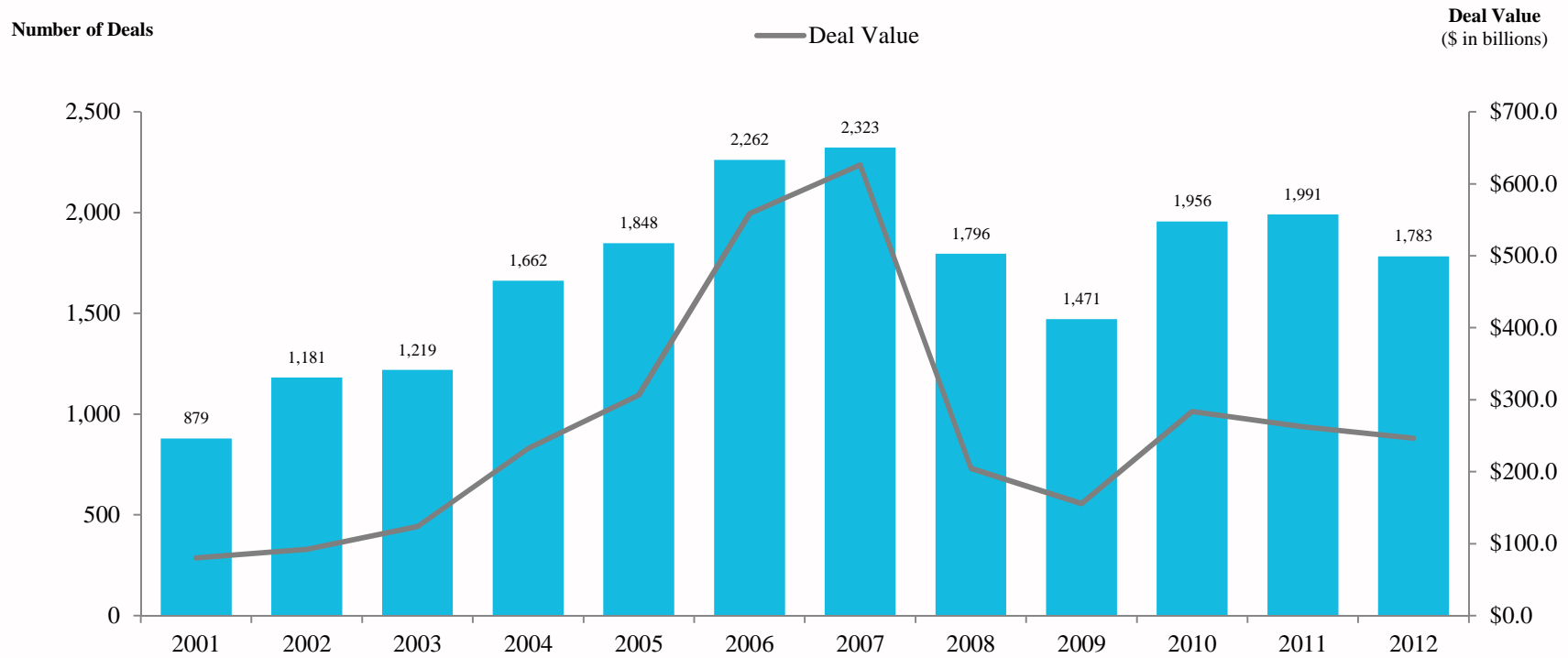
A Look Back at 2012: U.S. M&A Activity



Source: Dealogic



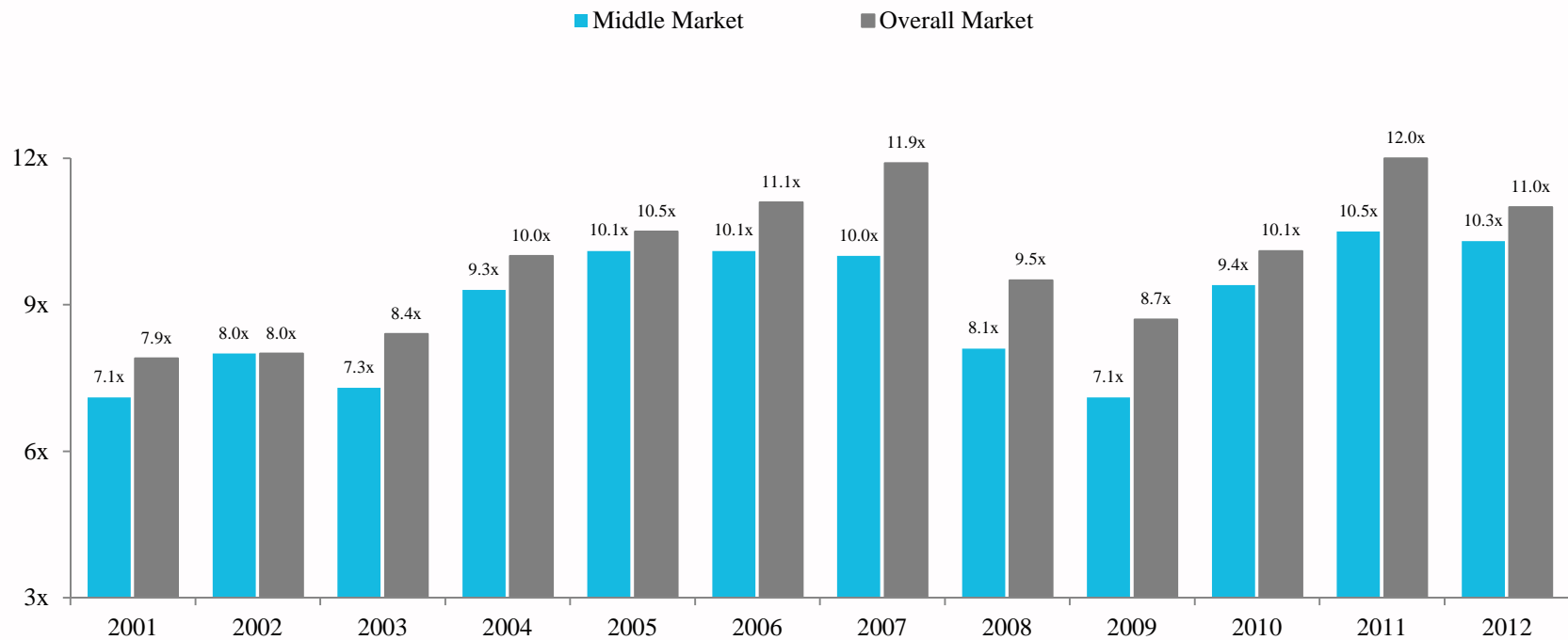
A Look Back at 2012: U.S. Private Equity Activity



Source: Dealogic



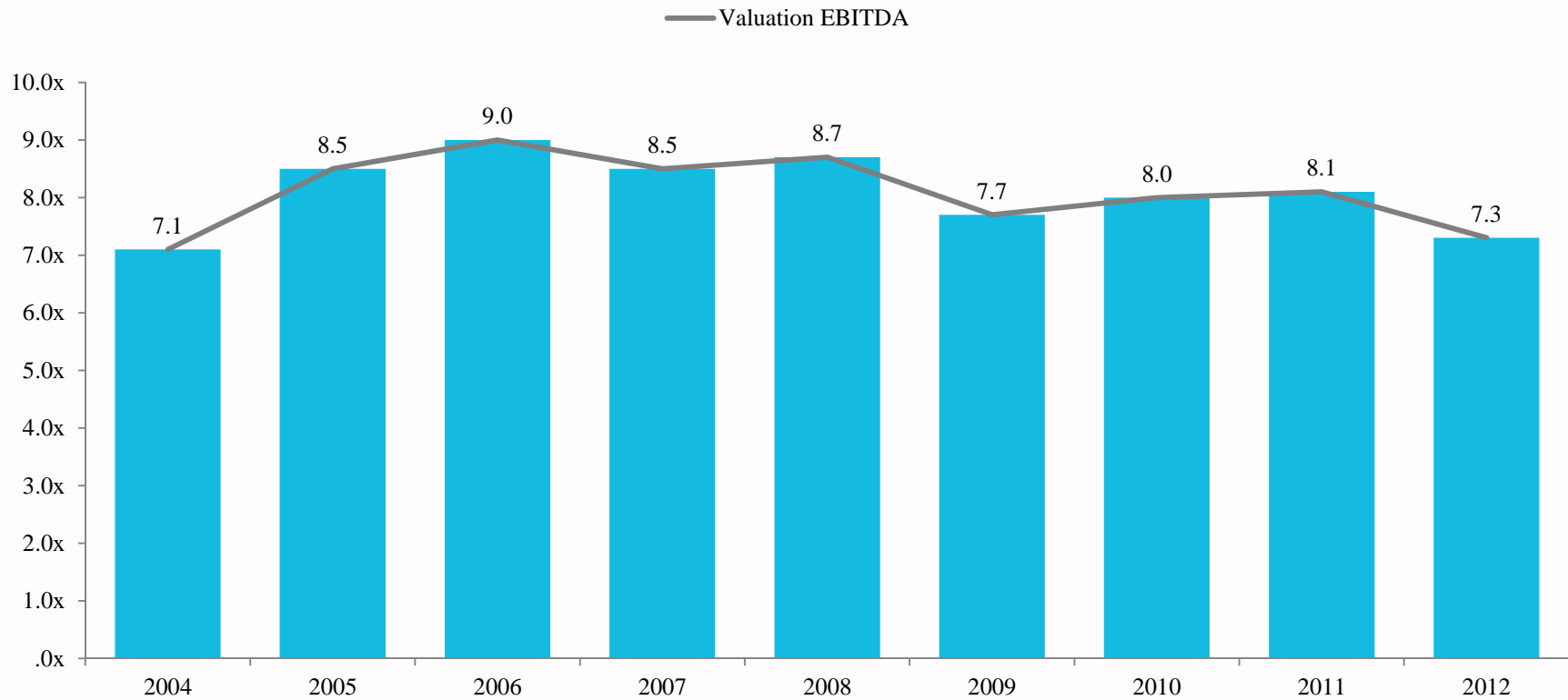
A Look Back at 2012: U.S. EV/EBITDA Valuations Multiples



Source: Dealogic



A Look Back at 2012: PE Buyout Purchase Price Multiples



Source: Dealogic



A Look Ahead to 2013:

U.S. M&A Outlook

- Corporations have record levels of cash
- Interest rates are at historic lows
- Credit markets are relatively strong and still improving
- Consumer confidence recently hit a five year high
- The S&P 500 ended 2012 up over 13% for the year; it added another 3% gain in January
- Will there be negative developments in the European debt crisis?
- Will robust growth return to the emerging markets?
- Will “reasonableness” or “excessive expectations” mark the mentality of owners/sellers?



A Look Ahead to 2013:

Market and End-User Driving Forces

Market and External Forces

- Continuing growth in upstream oil and gas
- New pipelines to get shale oil and gas to processing plants and end-use markets
- Revitalization of the Chemical Processing Industry in the U.S.
- DOE mandating efficiency standards for pumps
- Does the long anticipated growth in water and wastewater start to come to fruition?
- Does Europe bottom out and start seeing economic growth in the second half of 2013?
- Resumption of growth in Asia?



A Look Ahead to 2013:

Market and End-User Driving Forces

End-User Driving Forces

- Continue to enhance reliability of rotating equipment
- Monitoring of critical equipment to predict and plan maintenance events
- Aging workforce and focus on core competence drives trend to outsourcing of rotating equipment service to integrated service providers
- Enhance energy efficiency of systems and equipment within the system
- Emission reduction
- Continued reduction of spare parts inventory without increasing risk of extended downtime



A Look Ahead to 2013:

Strategic Impact of Market and End-User Forces

Targeted Areas of Interest

1. Companies with a meaningful customer base in Upstream and/or midstream Oil & Gas; equipment manufacturing, well service, distribution and service
2. Equipment companies with demonstrated equipment monitoring technology – wireless?
3. Software and/or consulting companies with the ability to collect and analyze data to drive enhanced rotating equipment reliability
4. Engineering companies with the ability to enhance efficiency and reliability of rotating equipment
5. Manufacturing companies with technology that will cost-effectively provide enhanced reliability and reduce life cycle costs



A Look Ahead to 2013:

Strategic Impact of Market and End-User Forces

Targeted Areas of Interest

6. Product manufacturing companies with technology that will cost-effectively reduce emissions from stationary or dynamic leakage sources
7. Manufacturing and distribution companies with a meaningful customer base in the U.S. Chemical Industry
8. Manufacturing companies with short lead-time capability for engineered components
9. Maintenance service providers
10. Industrial training companies



Thank You

Questions?



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