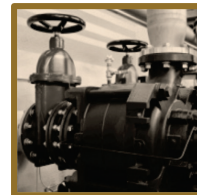


# FLOW CONTROL

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# Industry In-Sight™

SECOND QUARTER 2016



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## IN THIS REPORT

Introduction .....	1
Current Events / Trends .....	3
Mergers & Acquisitions Activity .....	5
Public Equity and Valuation Analysis .....	7
Economic Indicators .....	19

# Introduction

BY G. COOK JORDAN, JR.

## *Who is JKC and What Do We Do?*

Jordan Knauff & Company (“JKC”) was founded in 2001 to undertake a distinct mission: to assemble and maintain a staff of top-notch investment banking personnel and offer their knowledge and experience to provide the best available investment banking services to middle-market companies, the entrepreneurs that lead them and the financial entities that transact with them. On a combined basis, over the course of their careers our employees have completed over 300 transactions as investors, owners, operators, buyers, sellers and investment bankers of middle-market businesses across a variety of industries. The majority of our firm’s broad transaction experience has been with private companies owned by one shareholder, a partnership, a family or private equity investors.

Experience has taught us that the owners and executives of middle-market businesses tend to have very different needs and goals in capital transactions from those that are common to capital events related to larger companies. Our personnel apply their considerable expertise to accomplish important goals: delivery of successful outcomes for our clients. Pursuant to that, we direct and manage all aspects of the capital transaction process, assist our clients with the management of important constituents (employees, customers, vendors and lenders), act as a teammate to other important client advisors (legal counsel, accountant, tax advisor) and collaborate with transaction counsel in the negotiations with the parties on the other side of the transaction.

## *The Services We Provide*

### ■ **Mergers and Acquisitions Advisory**

- Selling Companies: Representation of owners who are seeking the sale of their business – ranging from the sale of part of the equity of a company to a full liquidity transaction involving the sale of the entire business. In either case, our objective is to transfer the inherent value of the business into an exchange which yields the best price and structure that meet the specific transaction goals of our client.
- Acquisitions: Assistance to clients in the successful closing of an acquisition. Pertinent services include: valuation, optimization of structure, direction of the due diligence process and negotiation of transaction documents. Acquisition advisory services encompass work on a standalone target or a series of acquisitions that form a strategic consolidation plan.

***Experience has taught us that the owners and executives of middle-market businesses tend to have very different needs and goals ... than... larger companies.***

■ **Capital Formation**

- **Raising Capital:** We represent clients in the raising of all forms of capital: senior debt, mezzanine debt and equity capital. Proceeds may be typically used for a variety of applications, including: funding growth, recapitalization, expansion of assets, acquisitions or partial liquidity for shareholders.
- **Capital Road Map™:** Due to the day-to-day press of managing their organizations, middle-market entrepreneurs often find themselves without the time or resources to develop a capital plan for their businesses. We have learned that capital planning is a critical component of the broader strategic plan for a company and a necessity as an initial step toward the closing of a successful capital raise. We developed a proprietary Capital Road Map™ which: 1) analyzes in detail a client’s current capital situation and projects future capital requirements as measured against the functional business plan, 2) provides recommendations as to the available sources of and amounts of capital required that would best satisfy the funding requirements of the business plan and 3) describes and explains the benefits, detriments and ramifications of each.

*Due to the day-to-day press of managing their organizations, middle-market entrepreneurs often find themselves without the time or resources to develop a capital plan ...*

**Areas of Expertise**

Our team of professionals has notable experience in a broad portfolio of industries. While each project is evaluated on a case-by-case basis and the firm has the capabilities to service middle-market companies in almost any industry, JKC has significant expertise in the following industries:

- |                                    |                                      |
|------------------------------------|--------------------------------------|
| ■ Flow Control                     | ■ Medical Plastics Manufacturing     |
| ■ Energy Distribution              | ■ Consumer Products                  |
| ■ Natural Resources and Renewables | ■ Education/Career Colleges          |
| ■ Windows and Doors                | ■ Financial Services                 |
| ■ Flooring                         | ■ Business and Professional Services |
| ■ Food                             | ■ Specialty Manufacturing            |
| ■ Warehousing and Logistics        | ■ Value Added Distribution           |

**Closing Thoughts**

Thank you for taking the time to review this quarterly publication. We hope that you will find it to be relevant and informative. With that purpose in mind, we would welcome any thoughts or comments that you may have about it. To view our previous quarterly publications, as well as our other Flow Control related publications, visit our research portal at [www.jordanknauff.com/flowcontrol](http://www.jordanknauff.com/flowcontrol). Should you desire more information about our firm and its mission, please contact any member of our team listed on the back cover of this report. Our website is [www.jordanknauff.com](http://www.jordanknauff.com) and our main telephone number is (312) 254-5900.

*... please contact any member of our team listed on the back cover of this report.*

## Current Events / Trends

BY G. COOK JORDAN, JR.  
LORI A. CALLAWAY

# FLOW CONTROL TRENDS

***NOW was created in June 2014 through a spin-off from National Oilwell Varco Inc., the large Houston-based, energy equipment manufacturer. NOW supplies products to the upstream, midstream and downstream energy markets, as well as other industrial sectors.***

### ***NOW Inc. Continues Expansion***

The outlook for worldwide energy use, as shown in the most recent International Energy Outlook prepared by the U.S. Energy Information Administration, projects rising levels of energy demand over the next three decades. Most of this growth will occur in non-OECD nations where long term economic growth will drive increasing demand. Total world energy consumption is expected to rise from 549 quadrillion Btu in 2012 to 815 quadrillion Btu in 2040, an increase of 48%, with the use of petroleum and other liquid fuels growing from 90 million barrels per day in 2012 to 100 million barrels per day in 2020 and to 121 million barrels per day in 2040. Most of the growth in liquid fuels consumption will be in the transportation and industrial sectors, with transportation (energy consumed in moving people and goods by road, rail, air, water and pipeline) accounting for 62% of the total increase. Even though consumption of nonfossil fuels is projected to grow faster than consumption of fossil fuels, fossil fuels will still account for 78% of energy use in 2040.

Houston-based NOW Inc., (“NOW”) a distributor of energy and industrial products in the United States, Canada and internationally, recently acquired Power Service Inc. Based in Casper, Wyoming, the acquired company provides rotating and process equipment engineering, design, installation, fabrication and service. The company distributes OEM parts including pumps, generators, air compressors and blowers, and fabricates lease automatic custody transfer units, vapor recovery units, ASME vessels, and water transfer, disposal and flood packages. The company also offers services, such as field services, air system audits and maintenance plans. Power Service serves agriculture, chemical producers, industrial, electronics, food and beverage, government, manufacturing, mining, oil and gas, power generation and water resources industries. The company was founded in 1954 and has locations in Casper and Green River, Wyoming; Salt Lake City, Utah; Denver, Colorado; Billings, Montana; North Dakota; Texas; New Mexico; and Oklahoma.

The acquisition will raise NOW’s valve actuation business services to a Tier I level and allow the company to leverage its Odessa Pumps and Equipment infrastructure in the Permian Basin and Eagle Ford areas and its pumping solutions businesses in the U.S. and Canada. NOW bought Odessa Pumps and Equipment, a provider of a full line of fluid transfer equipment to the oil and gas, and municipal wastewater markets, in August of 2015. Based in the Permian Basin, Odessa Pumps and Equipment has locations in Texas and New Mexico, with further operations in Oklahoma, Arkansas and Louisiana. The company exports equipment worldwide through its Houston facility.

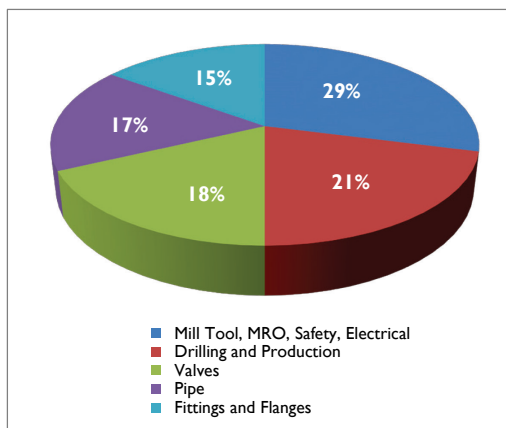
NOW was created in June 2014 through a spin-off from National Oilwell Varco Inc., the large Houston-based, energy equipment manufacturer. NOW supplies products to the upstream, midstream and downstream energy markets, as well as other industrial sectors. Customers include energy exploration and production, energy transportation, refineries, chemicals, utilities, manufacturers, engineering and construction companies. It offers

consumable maintenance, repair and operating supplies; pipes, valves, fittings, flanges, electrical products, artificial lift solutions, pumps, mill tools, safety supplies and spare parts, as well as application systems and parts integration, optimization solutions and after-sales support services. The company also provides supply chain management solutions that include procurement, inventory and warehouse management, logistics, point of issue technology, project management, business process and performance metrics reporting.

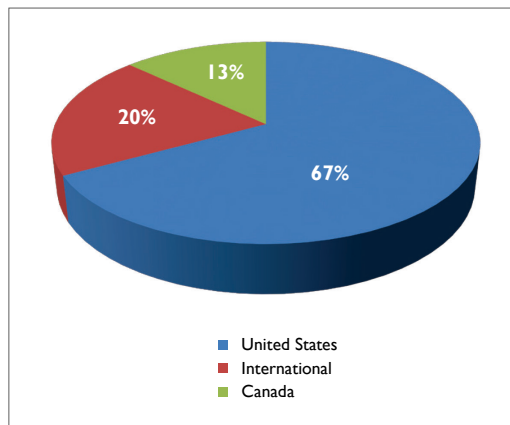
The company had revenue of more than \$3 billion in 2015 and a network of more than 300 locations worldwide, including 200 locations in the U.S., 60 locations in Canada and 40 international locations. NOW plans to continue to grow through acquisitions by expanding their pumps, valves/actuation, safety services and electrical product lines, as well as expanding their international markets, while focusing on the downstream energy and industrial channels. Since its inception in 2014, NOW has made five acquisitions.

**NOW Inc. 2015 Revenue<sup>(1)</sup>**

**By Product**



**By Geographic Segment**



(1) Source: NOW Inc.

# Mergers & Acquisitions Activity

BY DAVID A. KAKAREKA

Flow Control M&A activity continues to be resilient as evidenced by the recent transactions listed below.

**TABLE II: SELECTED VALVE M&A TRANSACTIONS: 2Q 2016<sup>(1)</sup>**

Announced Date	Target	Acquirer(s)
6/26/2016	AWS Achslagerwerk Stabfurt GmbH	Silbitz Group GmbH
6/20/2016	Esspump AB	AxFlow Holding AB
6/1/2016	Bulk Tank Inc.	Sage Capital LLC
5/25/2016	Webstone Company Inc.	NIBCO INC.
5/19/2016	FMC Technologies Inc.	Technip SA
4/12/2016	Indequip Ltd.	Flowtech Ltd.
4/4/2016	VCW Valvulas - Industria, Comercio e Representacao Ltd.	AVK Holding A/S
4/1/2016	Pelletron Corporation	IPEG Inc.

**TABLE III: SELECTED PUMP M&A TRANSACTIONS: 2Q 2016<sup>(1)</sup>**

Announced Date	Target	Acquirer(s)
6/23/2016	Weir American Hydro Corporation	Wartsila Services
6/20/2016	Esspump AB	AxFlow Holding AB
5/19/2016	FMC Technologies Inc.	Technip SA
4/29/2016	Power Service Inc.	NOW Inc.

**TABLE IV: SELECTED FILTER M&A TRANSACTIONS: 2Q 2016<sup>(1)</sup>**

Announced Date	Target	Acquirer(s)
6/17/2016	Hydro International Plc	Hanover Active Equity Fund LP
6/2/2016	Finex Oy	Johnson Matthey Plc
6/2/2016	MIOX Corporation	Johnson Matthey Plc
5/24/2016	Gesellschaft fur Verfahren der Abwassertechnik mbH & Co. KG	WILO SE
5/18/2016	Cambridge International Inc.	Rexnord Corporation
5/17/2016	Langley Wire Cloth Products Inc.	Gerard Daniel Worldwide Inc.
4/14/2016	ARKEMA Group / Activated Carbon and Filter Aid Business	Calgon Carbon Corporation
4/6/2016	FilterONE USA LLC	Parkson Corporation
4/4/2016	F-Suotimet Oy	Camfil AB

(1) Source: S&P Capital IQ and JKC research.

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# Public Equity and Valuation Analysis

BY DAVID A. KAKAREKA

## Wall Street Valve Watch

The JKC Valve Stock Index was down 10.5% over the last 12 months, while the broader S&P 500 Index gained 1.0%.

Last year fossil fuels made up 81.5% of total U.S. energy consumption, the lowest level in more than 100 years. At 10%, the renewables share was at its highest level since the 1930's. Solar and wind generation accounted for the greatest growth in renewables over the past ten years.<sup>(1)</sup>

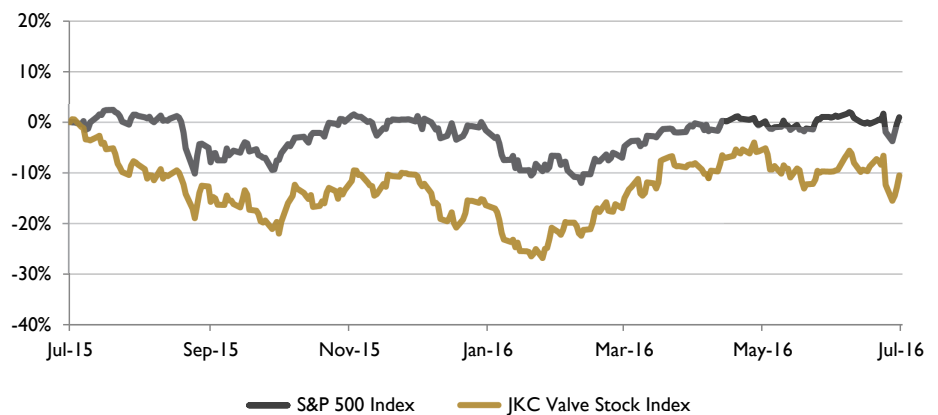
Driven by strong economic growth in China and India, the U.S. Energy Information Administration projects that world energy consumption will grow by 48% between 2012 and 2040. Renewables and nuclear power will be the fastest growing sources, with renewable energy increasing by an average of 2.6% per year and nuclear power increasing by 2.3% per year through 2040.

In the first half of 2015, China and Argentina led shale resource development outside of North America and have the potential to significantly increase their production. China drilled more than 200 shale gas and tight oil wells and Argentina drilled more than 275 since the beginning of 2014. While still short of reaching commercial production, Algeria, Australia, Colombia, Mexico, Poland and Russia began exploring and producing either natural gas or crude oil from shale and other tight resources in 2015.

On Wall Street the Dow Jones Industrial Average gained 0.8%, the S&P 500 Index was up 0.1% and the NASDAQ Composite declined 2.1% for the month of June. For the full second quarter, both the Dow Jones and S&P 500 showed gains for the third consecutive quarter, rising 1.4% and 1.9%, respectively. The NASDAQ declined 0.6%. The unanticipated vote of Britain to leave the European Union, May's discouraging jobs report and the Federal Reserve Bank's reluctance to raise interest rates, all had a dampening effect on the markets.

**Driven by strong economic growth in China and India, the U.S. Energy Information Administration projects that world energy consumption will grow by 48% between 2012 and 2040.**

**CHART 1: JKC VALVE STOCK INDEX<sup>(2)</sup>**



(1) See Economic Indicators section of this report for more detailed information on these indicators.

(2) Source: S&P Capital IQ and JKC research. Local currency converted to USD using historical spot rates. The JKC Valve Stock Index includes a select list of publicly-traded companies involved in the valve industry weighted by market capitalization.



Valve Companies

As shown in Tables V and VI, as of June 30, 2016, domestic and international Valve companies were trading at median total enterprise value / latest twelve months (“TEV/LTM”) EBITDA multiples of 11.5x and 8.7x, respectively, while both groups have median EBITDA margins of 16.2% and 11.4%, respectively. The median stock price as a percentage of the 52-week high for both groups is 95% and 78%, respectively, of their 52-week highs. With the exception of a few companies, we believe both groups are fairly well capitalized.

TABLE V: SELECTED DOMESTIC VALVE COMPANIES<sup>(1)</sup>

(US\$ in millions, except per share data)

Company	LTM			Stock Price 6/30/2016	% of 52-Week High	Market Cap	Total Enterprise Value <sup>(3)</sup>	TEV / LTM		Net Debt <sup>(4)</sup> EBITDA
	Revenues <sup>(2)</sup>	EBITDA <sup>(2)</sup>	Margin					Revenues	EBITDA	
Badger Meter Inc. (BMI)	\$400	\$73	18.2%	\$73.03	92.8%	\$1,062	\$1,113	2.8x	15.3x	0.6x
CIRCOR International Inc. (CIR)	641	73	11.5	56.99	92.5	936	967	1.5	13.2	0.4
Crane Co. (CR)	2,723	456	16.7	56.72	94.2	3,307	3,788	1.4	8.3	1.0
Curtiss-Wright Corp. (CW)	2,151	396	18.4	84.25	96.0	3,750	4,381	2.0	11.1	1.5
Dover Corp. (DOV)	6,791	1,216	17.9	69.32	95.8	10,755	13,528	2.0	11.1	2.2
Emerson Electric Co. (EMR)	20,581	3,938	19.1	52.16	91.8	33,557	37,580	1.8	9.5	1.0
Flowserve Corp. (FLS)	4,358	695	16.0	45.17	85.5	5,889	7,233	1.7	10.4	1.9
FMC Technologies, Inc. (FTI)	5,331	641	12.0	26.67	66.4	6,037	6,263	1.2	9.8	0.4
General Electric Co. (GE)	121,921	17,721	14.5	31.48	98.2	289,479	470,940	3.9	26.6	8.3
Honeywell International Inc. (HON)	39,106	8,008	20.5	116.32	98.1	88,649	96,415	2.5	12.0	0.9
ITT Corporation (ITT)	2,504	397	15.9	31.98	76.3	2,881	2,659	1.1	6.7	(0.6)
Mueller Water Products, Inc. (MWA)	1,148	189	16.5	11.42	97.2	1,845	2,245	2.0	11.9	1.8
Parker Hannifin Corporation (PH)	11,361	1,485	13.1	108.05	91.6	14,552	15,703	1.4	10.6	0.6
Tyco International Ltd. (TYC)	9,661	1,526	15.8	42.60	96.9	18,126	20,320	2.1	13.3	1.4
Watts Water Technologies, Inc. (WTS)	1,456	141	9.7	58.26	96.2	1,995	2,334	1.6	16.6	2.4
Xylem Inc. (XYL)	3,675	610	16.6	44.65	95.7	7,988	8,668	2.4	14.2	1.1
<b>Median</b>			<b>16.2%</b>		<b>94.9%</b>			<b>1.9x</b>	<b>11.5x</b>	<b>1.0x</b>
<b>Mean</b>			<b>15.8</b>		<b>91.6</b>			<b>1.9</b>	<b>12.5</b>	<b>1.6</b>

(1) Source: S&P Capital IQ and JKC research.

(2) Revenues and EBITDA are for the latest twelve months as of 6/30/16.

(3) Total enterprise value is defined as market capitalization plus total debt less cash and cash equivalents.

(4) Net debt is defined as total debt less cash and cash equivalents.

**TABLE VI: SELECTED INTERNATIONAL VALVE COMPANIES<sup>(1)</sup>**

(US\$ in millions, except per share data)

Company	LTM			Stock Price 6/30/2016	% of 52-Week High	Market Cap	Total Enterprise Value <sup>(3)</sup>	TEV / LTM		Net Debt <sup>(4)</sup> EBITDA
	Revenues <sup>(2)</sup>	EBITDA <sup>(2)</sup>	Margin					Revenues	EBITDA	
Aalberts Industries NV (AALB)	\$2,749	\$410	14.9%	\$30.04	84.5%	\$3,322	\$4,140	1.5x	10.1x	2.3x
Alfa Laval AB (ALFA)	4,586	850	18.5	15.57	79.3	6,532	7,924	1.7	9.3	1.8
Georg Fischer AG (FI-N)	3,752	410	10.9	796.72	92.2	3,260	3,554	0.9	8.7	1.0
Hisaka Works Ltd. (6247)	247	24	9.7	8.19	68.7	244	116	0.5	4.9	(4.8)
Hitachi Ltd. (6501)	97,710	11,145	11.4	4.13	52.2	19,930	61,759	0.6	5.5	2.5
IMI plc (IMI)	2,083	383	18.4	12.86	81.7	3,461	3,797	1.8	9.9	1.1
Kitz Corp. (6498)	1,142	113	9.9	4.71	78.1	505	616	0.5	5.5	1.0
KSB Aktiengesellschaft (KSB)	2,598	189	7.3	347.63	69.9	605	665	0.3	3.5	(0.6)
Kubota Corp. (6326)	15,787	2,676	16.9	13.32	62.3	16,569	23,436	1.5	8.8	2.1
Lupatech S.A. (LUPA3)	72	(42)	(58.4)	0.59	25.4	6	56	0.8	NM	(1.1)
Metso Corp. (MEOIV)	3,100	415	13.4	23.35	79.5	3,503	3,626	1.2	8.7	0.5
Okano Valve Manufacturing Co. (6492)	70	5	7.8	2.59	63.3	45	23	0.3	4.1	(3.4)
Saint Gobain (SGO)	44,004	4,376	9.9	38.15	76.6	21,129	26,860	0.6	6.1	1.7
SMC Corp. (6273)	4,631	1,452	31.3	242.51	66.4	16,295	12,779	2.8	8.8	(2.2)
Spirax-Sarco Engineering plc (SPX)	887	221	24.9	49.72	99.7	3,644	3,639	4.1	16.5	(0.1)
The Weir Group PLC (WEIR)	2,549	414	16.2	19.16	82.0	4,141	5,246	2.1	12.7	2.7
Velan, Inc. (VLN)	445	43	9.7	13.48	82.0	293	229	0.5	5.3	(1.9)
<b>Median</b>			<b>11.4%</b>		<b>78.1%</b>			<b>0.9x</b>	<b>8.7x</b>	<b>1.0x</b>
<b>Mean</b>			<b>10.2</b>		<b>73.2</b>			<b>1.3</b>	<b>8.0</b>	<b>0.1</b>

(1) Source: S&amp;P Capital IQ and JKC research.

(2) Revenues and EBITDA are for the latest twelve months as of 6/30/16.

(3) Total enterprise value is defined as market capitalization plus total debt less cash and cash equivalents.

(4) Net debt is defined as total debt less cash and cash equivalents.

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### Wall Street Pump Watch

The JKC Pump Stock Index fell 16.9% over the last twelve months, while the S&P 500 Index gained 1.0% over the same time period.

The Institute for Supply Management's Purchasing Managers' Index ("PMI") increased to 53.2% in June from 51.3% in May, its strongest reading since February 2015. Manufacturing registered growth for the fourth consecutive month, as 12 of the 18 industries reported an increase in new orders and production in June. Export orders increased 1.0 points to 53.5%, its highest level in more than a year and a half. The Employment Index managed to move back into expansion territory at 50.4% after six months of below 50% readings. U.S. manufacturing jobs fell by an average of 13,000 per month between February and May.<sup>(1)</sup>

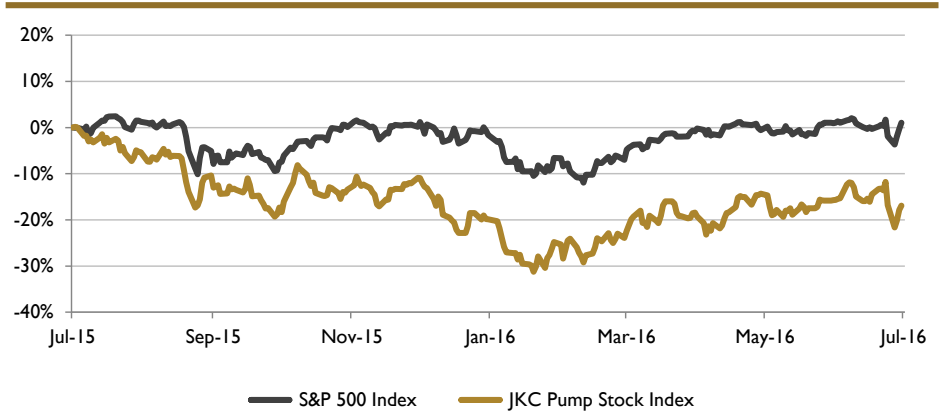
The U.S. Department of Labor reported that the U.S. economy added 287,000 jobs in June and the unemployment rate rose to 4.9%. Job growth occurred in leisure and hospitality, health care and social assistance, and financial activities. Employment in other major industries, including construction, manufacturing, wholesale trade, transportation and warehousing, and government, showed little or no change. Employment in mining continued to trend down. From April through June, the U.S. added an average of 147,000 jobs per month, down from an average of 282,000 in the fourth quarter of 2015.

The Commerce Department reported that consumer spending rose 1.1% in April, its highest percentage gain in almost seven years, and 0.4% in May. Personal income increased by 0.5% in April and 0.2% in May. In April personal income was up 4.4% on a year-over-year basis.

On Wall Street the Dow Jones Industrial Average gained 0.8%, the S&P 500 Index was up 0.1% and the NASDAQ Composite declined 2.1% for the month of June. For the full second quarter, both the Dow Jones and S&P 500 showed gains for the third consecutive quarter, rising 1.4% and 1.9%, respectively. The NASDAQ declined 0.6%. The unanticipated vote of Britain to leave the European Union, May's discouraging jobs report and the Federal Reserve Bank's reluctance to raise interest rates, all had a dampening effect on the markets.

**From April through June, the U.S. added an average of 147,000 jobs per month, down from an average of 282,000 in the fourth quarter of 2015.**

**CHART II: JKC PUMP STOCK INDEX<sup>(2)</sup>**



(1) See Economic Indicators section of this report for more detailed information on these indicators.  
 (2) Source: S&P Capital IQ and JKC research. Local currency converted to USD using historical spot rates. The JKC Pump Stock Index includes a select list of publicly-traded companies involved in the pump industry weighted by market capitalization.

### Pump Companies

Domestic Pump companies (as listed in Table VII) and international Pump companies (in Table VIII) were trading at median TEV/LTM EBITDA multiples of 13.0x and 8.7x, respectively, as of June 30, 2016. As you can see, both groups are similarly leveraged with a median net debt/LTM EBITDA ratio of 1.5x for domestic Pump companies compared to 0.5x for international Pump companies. In our assessment, both groups are extremely well capitalized and could afford to take on additional indebtedness.

**TABLE VII: SELECTED DOMESTIC PUMP COMPANIES<sup>(1)</sup>**

(US\$ in millions, except per share data)

Company	LTM			Stock Price 6/30/2016	% of 52-Week High	Market Cap	Total Enterprise Value <sup>(3)</sup>	TEV / LTM		Net Debt <sup>(4)</sup> EBITDA
	Revenues <sup>(2)</sup>	EBITDA <sup>(2)</sup>	Margin					Revenues	EBITDA	
Ampco-Pittsburgh Corp. (AP)	\$270	(\$2)	(\$1)	\$11.31	58.8%	\$138	\$137	0.5x	NM	NM
Baker Hughes Inc. (BHI)	12,258	235	1.9	45.13	73.1	19,763	21,701	1.8	92.3	(3.8)
Colfax Corporation (CFX)	3,933	470	12.0	26.46	57.7	3,245	4,689	1.2	10.0	2.7
Crane Co. (CR)	2,723	456	16.7	56.72	94.2	3,307	3,788	1.4	8.3	1.0
Curtiss-Wright Corp. (CW)	2,151	396	18.4	84.25	96.0	3,750	4,381	2.0	11.1	1.5
Danaher Corp. (DHR)	21,256	4,911	23.1	101.00	100.0	69,558	81,358	3.8	16.6	2.4
Dover Corp. (DOV)	6,791	1,216	17.9	69.32	95.8	10,755	13,528	2.0	11.1	2.2
Energy Recovery, Inc. (ERII)	53	(0)	(0.2)	8.89	66.6	465	369	7.0	NM	NM
Flowsolve Corp. (FLS)	4,358	695	16.0	45.17	85.5	5,889	7,233	1.7	10.4	1.9
Franklin Electric Co. Inc. (FELE)	918	135	14.7	33.05	92.9	1,526	1,693	1.8	12.6	1.2
General Electric Co. (GE)	121,921	17,721	14.5	31.48	98.2	289,479	470,940	3.9	26.6	8.3
Gorman-Rupp Co. (GRC)	400	51	12.9	27.41	84.1	715	675	1.7	13.1	(1.0)
Graco Inc. (GGG)	1,298	339	26.2	78.99	91.2	4,393	4,829	3.7	14.2	1.2
IDEX Corp. (IEX)	2,056	520	25.3	82.10	94.2	6,231	6,969	3.4	13.4	1.3
Illinois Tool Works Inc. (ITW)	13,334	3,423	25.7	104.16	95.1	37,432	41,991	3.1	12.3	1.4
Ingersoll-Rand Co. Ltd. (IR)	13,395	1,916	14.3	63.68	91.9	16,395	20,315	1.5	10.6	1.6
ITT Corporation (ITT)	2,504	397	15.9	31.98	76.3	2,881	2,659	1.1	6.7	(0.6)
Layne Christensen Co. (LAYN)	668	14	2.1	8.10	86.4	160	260	0.4	18.8	7.2
National Oilwell Varco, Incorporated (NOV)	9,941	536	5.4	33.65	70.4	12,688	14,386	1.4	26.8	3.0
Pentair, Inc. (PNR)	6,622	1,173	17.7	58.29	84.4	10,534	15,214	2.3	13.0	3.7
Roper Technologies Inc. (ROP)	3,662	1,258	34.4	170.56	87.1	17,261	19,849	5.4	15.8	2.0
Schlumberger Limited (SLB)	29,901	7,756	25.9	79.08	91.3	109,954	117,339	3.9	15.1	1.3
Standex International Corp. (SXI)	758	102	13.4	82.63	88.8	1,058	1,052	1.4	10.4	(0.1)
United Technologies Corp. (UTX)	56,319	10,382	18.4	102.55	91.3	85,821	103,334	1.8	10.0	1.5
Weatherford International Ltd. (WFT)	7,236	283	3.9	5.55	46.2	4,971	11,633	1.6	41.1	24.0
Xylem Inc. (XYL)	3,675	610	16.6	44.65	95.7	7,988	8,668	2.4	14.2	1.1
<b>Median</b>			<b>15.9%</b>		<b>90.0%</b>			<b>1.8x</b>	<b>13.0x</b>	<b>1.5x</b>
<b>Mean</b>			<b>15.1</b>		<b>84.3</b>			<b>2.4</b>	<b>18.1</b>	<b>2.7</b>

(1) Source: S&P Capital IQ and JKC research.

(2) Revenues and EBITDA are for the latest twelve months as of 6/30/16.

(3) Total enterprise value is defined as market capitalization plus total debt less cash and cash equivalents.

(4) Net debt is defined as total debt less cash and cash equivalents.

**TABLE VIII: SELECTED INTERNATIONAL PUMP COMPANIES<sup>(1)</sup>**

(US\$ in millions, except per share data)

Company	LTM			Stock Price 6/30/2016	% of 52-Week High	Market Cap	Total Enterprise Value <sup>(3)</sup>	TEV / LTM		Net Debt <sup>(4)</sup> EBITDA
	Revenues <sup>(2)</sup>	EBITDA <sup>(2)</sup>	Margin					Revenues	EBITDA	
Alfa Laval AB (ALFA)	\$4,586	\$850	18.5%	\$15.57	79.3%	\$6,532	\$7,924	1.7x	9.3x	1.8x
Andritz AG (ANDR)	6,954	601	8.6	47.17	78.7	4,826	3,737	0.5	6.2	(1.8)
DMW Corp. (6365)	176	15	8.4	17.44	85.3	77	32	0.2	2.2	(3.5)
Ebara Corp. (6361)	4,735	494	10.4	5.46	90.8	2,541	2,851	0.6	5.8	(0.2)
FLSmidth & Co. A/S (FLS)	2,800	260	9.3	35.51	70.2	1,737	2,276	0.8	8.8	2.1
Gevelot SA (ALGEV)	230	17	7.3	128.82	81.7	106	6	0.0	0.4	(5.9)
GUD Holdings Ltd. (GUD)	499	38	7.7	6.79	89.5	579	746	1.5	19.5	3.3
Hyundai Heavy Industries Co. Ltd. (A009540)	36,596	n/a	n/a	91.50	86.5	5,715	14,237	0.4	n/a	n/a
John Wood Group plc (WG)	4,508	401	8.9	9.15	96.4	3,403	3,712	0.8	9.3	0.8
Kirloskar Brothers Ltd. (500241)	384	10	2.5	1.86	50.6	148	193	0.5	20.3	4.8
KSB Aktiengesellschaft (KSB)	2,598	189	7.3	347.63	69.9	605	665	0.3	3.5	(0.6)
Kubota Corp. (6326)	15,787	2,676	16.9	13.32	62.3	16,569	23,436	1.5	8.8	2.1
Metso Corp. (MEO1V)	3,100	415	13.4	23.35	79.5	3,503	3,626	1.2	8.7	0.5
Nikkiso Co. Ltd. (6376)	1,471	153	10.4	6.42	49.8	485	881	0.6	5.8	2.3
Pfeiffer Vacuum Technology AG (PFV)	504	90	17.9	93.29	71.5	921	815	1.6	9.1	(0.9)
SKF AB (SKF B)	8,762	1,120	12.8	15.82	68.8	7,213	9,102	1.0	8.1	1.4
Spirax-Sarco Engineering plc (SPX)	887	221	24.9	49.72	99.7	3,644	3,639	4.1	16.5	(0.1)
Sulzer, Ltd. (SUN)	3,046	295	9.7	86.54	74.4	2,949	2,245	0.7	7.6	(0.2)
Teikoku Electric Mfg.Co.,Ltd. (6333)	199	29	14.6	7.56	73.2	154	74	0.4	2.5	(2.8)
The Weir Group PLC (WEIR)	2,549	414	16.2	19.16	82.0	4,141	5,246	2.1	12.7	2.7
Torishima Pump Manufacturing Co. Ltd. (6363)	394	8	2.1	9.87	91.8	270	363	0.9	43.4	5.9
Tsurumi Manufacturing Co. Ltd. (6351)	390	56	14.3	12.01	53.8	301	230	0.6	4.1	(1.7)
<b>Median</b>			<b>10.4%</b>		<b>79.0%</b>			<b>0.8x</b>	<b>8.7x</b>	<b>0.5x</b>
<b>Mean</b>			<b>11.5</b>		<b>76.6</b>			<b>1.0</b>	<b>10.1</b>	<b>0.5</b>

(1) Source: S&amp;P Capital IQ and JKC research.

(2) Revenues and EBITDA are for the latest twelve months as of 6/30/16.

(3) Total enterprise value is defined as market capitalization plus total debt less cash and cash equivalents.

(4) Net debt is defined as total debt less cash and cash equivalents.

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**Wall Street Filter Watch**

The JKC Filter Stock Index was up 0.9% over the last twelve months, while the S&P 500 Index gained 1.0%.

The Commerce Department reported that housing starts rose 4.8% in June, with single-family starts rising 4.4% and multifamily starts rising 5.4%. Single-family starts rose in all regions of the country but were up 31.6% in the Northeast. Multifamily starts fell in both the South and Midwest, but grew in the West and Northeast. Through the first six months of the year, single-family starts were up 13.2% over the first half of last year.<sup>(1)</sup>

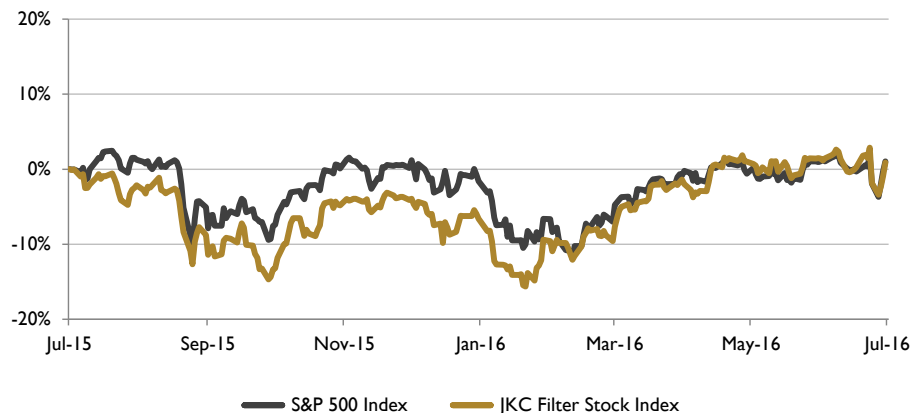
New homes sales rose 3.5% in June to a seasonally adjusted annual rate of 592,000, the strongest level since February 2008. Sales dropped slightly in the Northeast and South, but increased by more than 10% in both the West and Midwest. For the second quarter the average pace was 576,000, 10% above the 524,000 seasonally adjusted annual rate seen in the first quarter of the year. The median new home price rose to \$306,700 in June, 6% more than last June.

Driven by light trucks, sport utility vehicles and crossovers, U.S. light vehicle sales were up 1.5% through June compared to the first six months of 2015. These vehicles accounted for almost 58% of sales while passenger car sales were down 7.5% through June. Auto industry experts project that automakers will sell between 17.5 million and 18.1 million vehicles this year, compared to the record breaking 17.47 million vehicles sold last year. Showing its best first-half performance since 2006, Ford Motor Company sales were up 5% through June.

On Wall Street the Dow Jones Industrial Average gained 0.8%, the S&P 500 Index was up 0.1% and the NASDAQ Composite declined 2.1% for the month of June. For the full second quarter, both the Dow Jones and S&P 500 showed gains for the third consecutive quarter, rising 1.4% and 1.9%, respectively. The NASDAQ declined 0.6%. The unanticipated vote of Britain to leave the European Union, May's discouraging jobs report and the Federal Reserve Bank's reluctance to raise interest rates, all had a dampening effect on the markets.

**New homes sales rose 3.5% in June to a seasonally adjusted annual rate of 592,000, the strongest level since February 2008.**

**CHART III: JKC FILTER STOCK INDEX<sup>(2)</sup>**



(1) See Economic Indicators section of this report for more detailed information on these indicators.

(2) Source: S&P Capital IQ and JKC research. Local currency converted to USD using historical spot rates. The JKC Filter Stock Index includes a select list of publicly-traded companies involved in the filter industry weighted by market capitalization.



**Filter Companies**

As of June 30, 2016, domestic and international Filter companies (listed in Table IX and Table X, respectively) were trading at medians of 11.6x and 7.9x, respectively, of TEV/LTM EBITDA with median LTM EBITDA margins of 16.7% and 11.6%, respectively. With the exception of a few companies, both the domestic and international Filter companies are conservatively capitalized.

**TABLE IX: SELECTED DOMESTIC FILTER COMPANIES<sup>(1)</sup>**

(US\$ in millions, except per share data)

Company	LTM			Stock Price 6/30/2016	% of 52-Week High	Market Cap	Total Enterprise Value <sup>(3)</sup>	TEV / LTM		Net Debt <sup>(4)</sup> EBITDA
	Revenues <sup>(2)</sup>	EBITDA <sup>(2)</sup>	Margin					Revenues	EBITDA	
3M Co. (MMM)	\$30,081	\$8,618	28.6%	\$175.12	100.0%	\$106,213	\$115,881	3.9x	13.4x	1.1x
Calgon Carbon Corp. (CCC)	517	88	17.0	13.15	68.2	665	727	1.4	8.3	0.7
Cantel Medical Corp. (CMN)	633	125	19.8	68.73	91.8	2,866	2,974	4.7	23.8	0.9
CECO Environmental Corp. (CECE)	415	56	13.5	8.74	76.2	298	441	1.1	7.9	1.7
CLARCOR Inc. (CLC)	1,411	251	17.8	60.83	97.3	2,966	3,192	2.3	12.7	0.9
Corning Inc. (GLW)	8,910	2,185	24.5	20.48	96.2	22,023	25,289	2.8	11.6	(1.3)
Crane Co. (CR)	2,723	456	16.7	56.72	94.2	3,307	3,788	1.4	8.3	1.0
Cummins Inc. (CMI)	18,692	2,810	15.0	112.44	85.2	19,065	19,961	1.1	7.1	0.2
Donaldson Company Inc. (DCI)	2,237	352	15.7	34.36	92.7	4,574	4,937	2.2	14.0	1.0
Eaton Corporation (ETN)	20,153	3,201	15.9	59.73	87.5	27,356	35,480	1.8	11.1	2.5
El DuPont de Nemours & Co. (DD)	24,638	4,391	17.8	64.80	85.6	56,633	62,043	2.5	14.1	1.2
Entegris, Inc. (ENTG)	1,085	230	21.2	14.47	95.2	2,038	2,349	2.2	10.2	1.4
ESCO Technologies Inc. (ESE)	566	95	16.7	39.94	95.8	1,028	1,088	1.9	11.5	0.5
General Electric Co. (GE)	121,921	17,721	14.5	31.48	98.2	289,479	470,940	3.9	26.6	8.3
Honeywell International Inc. (HON)	39,106	8,008	20.5	116.32	98.1	88,649	96,415	2.5	12.0	0.9
Illinois Tool Works Inc. (ITW)	13,334	3,423	25.7	104.16	95.1	37,432	41,991	3.1	12.3	1.4
Lydall Inc. (LDL)	530	76	14.4	38.56	95.9	660	601	1.1	7.9	(1.0)
MFRI Inc. (MFR)	125	7	5.6	7.46	89.1	55	58	0.5	8.2	0.3
Parker Hannifin Corporation (PH)	11,361	1,485	13.1	108.05	91.6	14,552	15,703	1.4	10.6	0.6
Pentair, Inc. (PNR)	6,622	1,173	17.7	58.29	84.4	10,534	15,214	2.3	13.0	3.7
Tenneco Inc. (TEN)	8,404	807	9.6	46.61	80.7	2,670	3,804	0.5	4.7	1.3
Watts Water Technologies, Inc. (WTS)	1,456	141	9.7	58.26	96.2	1,995	2,334	1.6	16.6	2.4
Xylem Inc. (XYL)	3,675	610	16.6	44.65	95.7	7,988	8,668	2.4	14.2	1.1
<b>Median</b>			<b>16.7%</b>		<b>94.2%</b>			<b>2.2x</b>	<b>11.6x</b>	<b>1.0x</b>
<b>Mean</b>			<b>16.9</b>		<b>90.9</b>			<b>2.1</b>	<b>12.2</b>	<b>1.3</b>

(1) Source: S&P Capital IQ and JKC research.

(2) Revenues and EBITDA are for the latest twelve months as of 6/30/16.

(3) Total enterprise value is defined as market capitalization plus total debt less cash and cash equivalents.

(4) Net debt is defined as total debt less cash and cash equivalents.

**TABLE X: SELECTED INTERNATIONAL FILTER COMPANIES<sup>(1)</sup>**

(US\$ in millions, except per share data)

Company	LTM			Stock Price 6/30/2016	% of 52-Week High	Market Cap	Total Enterprise Value <sup>(3)</sup>	TEV / LTM		Net Debt <sup>(4)</sup> EBITDA
	Revenues <sup>(2)</sup>	EBITDA <sup>(2)</sup>	Margin					Revenues	EBITDA	
Ahlstrom Oyj (AHLIV)	\$1,185	\$102	8.6%	\$8.18	89.1%	\$381	\$603	0.5x	5.9x	1.8x
Alfa Laval AB (ALFA)	4,586	850	18.5	15.57	79.3	6,532	7,924	1.7	9.3	1.8
Amiad Filtration Systems Ltd (AFS)	107	10	9.8	2.03	82.7	46	54	0.5	5.2	0.8
Andritz AG (ANDR)	6,954	601	8.6	47.17	78.7	4,826	3,737	0.5	6.2	(1.8)
Asahi Kasei Corp. (3407)	18,900	2,666	14.1	6.89	67.3	9,629	12,722	0.7	4.8	1.1
BWT AG (BWT)	598	53	8.9	21.54	92.4	361	382	0.6	7.2	0.2
Daikin Industries Ltd. (6367)	19,901	2,941	14.8	82.91	89.6	24,212	27,520	1.4	9.4	1.2
Denso Corp. (6902)	44,058	5,464	12.4	34.83	56.8	27,614	26,987	0.6	4.9	(0.5)
Faurecia SA (EO)	20,846	1,345	6.5	31.91	74.3	4,399	5,693	0.3	4.2	0.8
FLSmidth & Co. A/S (FLS)	2,800	260	9.3	35.51	70.2	1,737	2,276	0.8	8.8	2.1
GEA Group AG (GIA)	5,035	570	11.3	47.31	97.4	9,107	7,475	1.5	13.1	(1.5)
GUD Holdings Ltd. (GUD)	499	38	7.7	6.79	89.5	579	746	1.5	19.5	3.3
Hyflux Ltd. (600)	470	71	15.1	0.45	67.0	350	1,293	2.8	18.2	9.4
Ibiden Co., Ltd. (4062)	3,059	619	20.2	11.20	53.8	1,490	1,179	0.4	1.9	(0.5)
Johnson Matthey plc (JMAT)	14,243	763	5.4	37.24	90.1	7,140	8,024	0.6	10.5	1.3
NGK Insulators Ltd. (5333)	4,244	1,064	25.1	19.93	62.8	6,510	6,552	1.5	6.2	0.1
Nitto Denko Corp. (6988)	7,722	1,443	18.7	62.67	61.7	10,171	7,921	1.0	5.5	(1.5)
Porvair plc (PRV)	135	16	11.6	4.65	100.0	210	200	1.5	12.8	(0.7)
Sartorius AG (SRT)	1,287	309	24.0	79.18	80.3	5,227	5,755	4.5	18.6	1.7
Siemens AG (SIE)	86,689	9,639	11.1	102.87	91.9	83,184	101,116	1.2	10.5	1.7
Toray Industries Inc. (3402)	20,492	2,529	12.3	8.47	75.9	13,534	19,949	1.0	7.9	2.3
<b>Median</b>			<b>11.6%</b>		<b>79.3%</b>			<b>1.0x</b>	<b>7.9x</b>	<b>1.1x</b>
<b>Mean</b>			<b>13.0</b>		<b>78.6</b>			<b>1.2</b>	<b>9.1</b>	<b>1.1</b>

(1) Source: S&amp;P Capital IQ and JKC research.

(2) Revenues and EBITDA are for the latest twelve months as of 6/30/16.

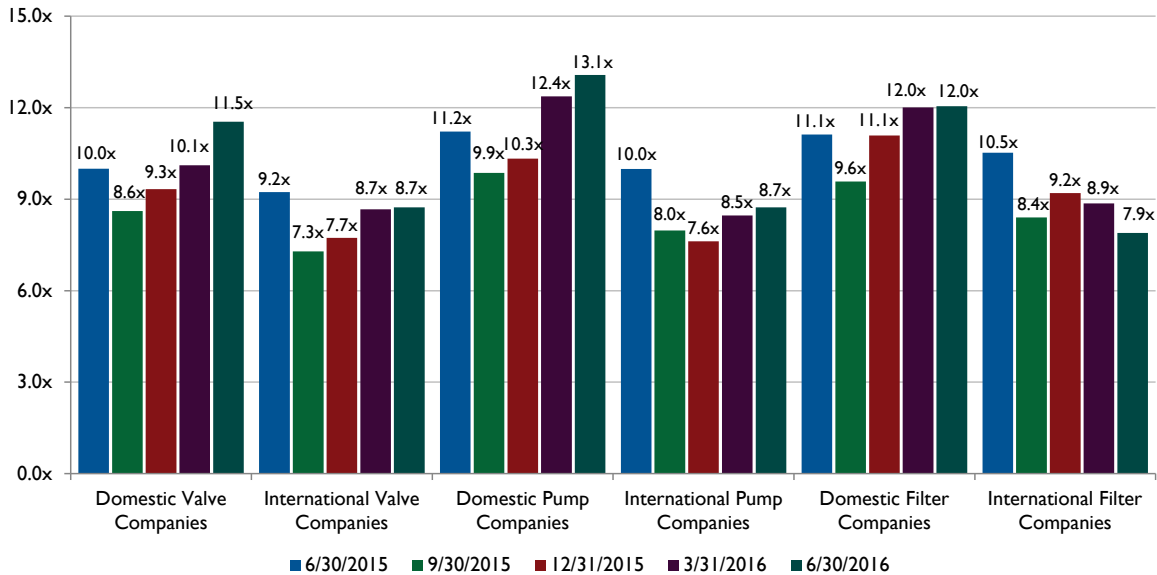
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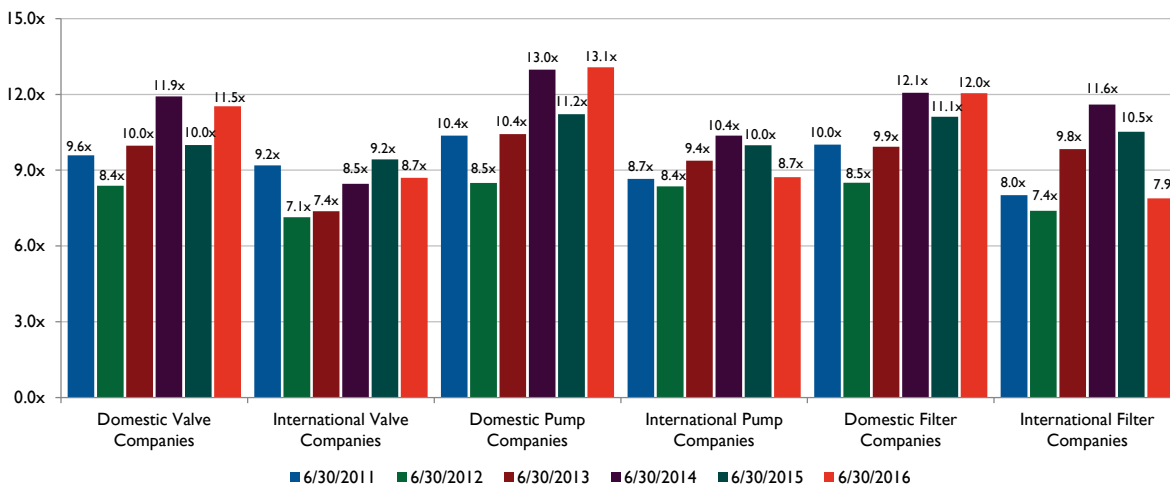
**Valuation Trends over Time**

Quarterly median TEV/LTM EBITDA valuation multiples have generally increased over last quarter levels for domestic companies and international companies. Annual multiples for domestic companies are now at higher levels than last year at this time, while annual multiples for international companies are now lower than last year.

**CHART IV: QTRLY MEDIAN TEV/LTM EBITDA VALUATION MULTIPLES<sup>(1)</sup>**



**CHART V: ANNUAL MEDIAN TEV/LTM EBITDA VALUATION MULTIPLES<sup>(1)</sup>**

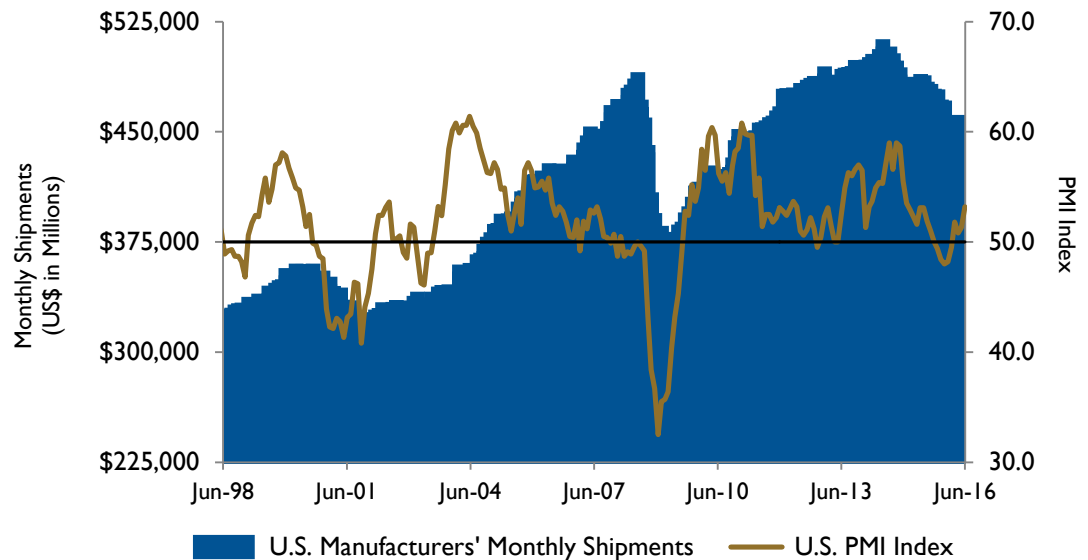


(1) Source: S&P Capital IQ and JKC research.

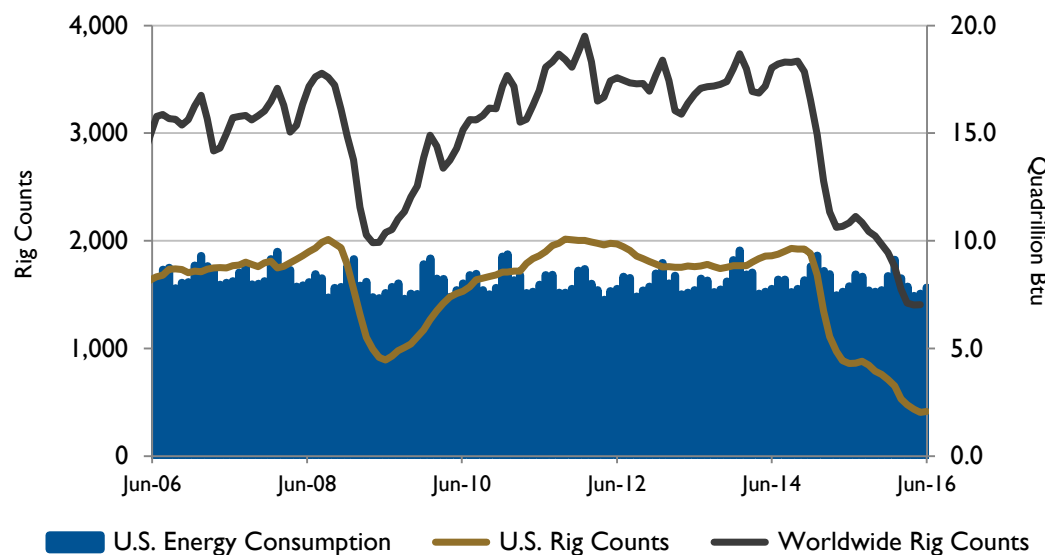
# Economic Indicators – Valves and Pumps<sup>(1)</sup>

BY DAVID A. KAKAREKA

**CHART VI: U.S. PMI INDEX<sup>(2)</sup> AND MANUFACTURING SHIPMENTS<sup>(3)</sup>**



**CHART VII: U.S. ENERGY CONSUMPTION<sup>(4)</sup> AND RIG COUNTS<sup>(5)</sup>**

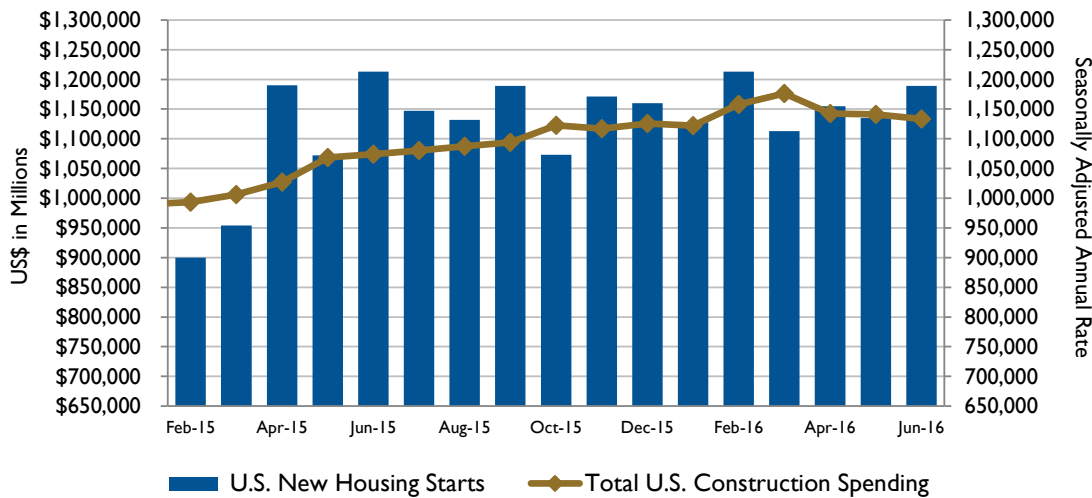


(1) Economic indicators used in Public Equity and Valuation Analysis section of this report.  
 (2) Source: Institute for Supply Management Manufacturing Report on Business®. A PMI Index above 50 represents expansion within the manufacturing sector compared with the prior month.  
 (3) Source: U.S. Census Bureau; Manufacturers' Shipments, Inventories and Orders Survey.  
 (4) Source: U.S. Energy Information Administration, Short-term Energy Outlook.  
 (5) Source: Baker Hughes Inc.

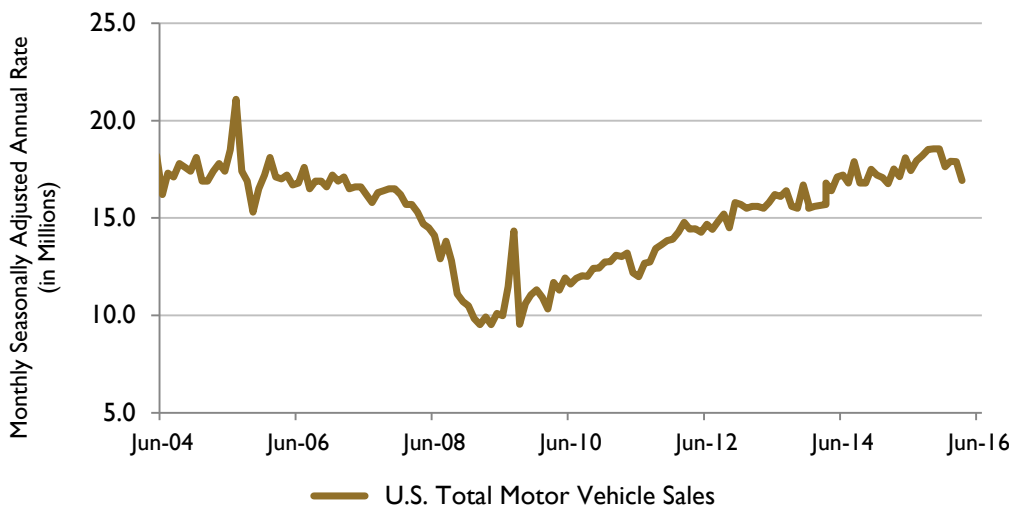
# Economic Indicators – Filters<sup>(1)</sup>

BY DAVID A. KAKAREKA

**CHART VIII: U.S. HOUSING STARTS AND CONSTRUCTION SPENDING<sup>(2)</sup>**



**CHART IX: U.S. MOTOR VEHICLE SALES<sup>(3)</sup>**



(1) Economic indicators used in Public Equity and Valuation Analysis section of this report.

(2) Source: U.S. Census Bureau; Manufacturing, Mining and Construction Statistics. September data not available until December.

(3) Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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## ABOUT JORDAN KNAUFF & COMPANY

Jordan Knauff & Company was founded in 2001 to undertake a distinct mission: to assemble and maintain a staff of top-notch investment banking personnel and offer their knowledge and experience to provide the best available investment banking services to middle-market companies, the entrepreneurs that lead them and the financial entities that transact with them. On a combined basis, over the course of their careers our employees have completed over 200 transactions as investors, owners, operators, buyers, sellers and investment bankers of middle-market businesses across a variety of industries. The majority of our firm's broad transaction experience has been with private companies owned by one shareholder, a partnership, a family or private equity investors.



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