

FLOW CONTROL

Industry In-Sight™

THIRD QUARTER 2018



**JORDAN KNAUFF
& COMPANY**

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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 200 transactions as investors, owners, operators, investment bankers, buyers of middle-market businesses or sellers 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

■ **Sell 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.

■ **Raise Debt and Equity 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.

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

■ **Acquisition Advisory**

- 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.

■ **Strategic Business Services**

- A suite of consulting projects designed specifically for middle-market business owners and executives to enable them to make better decisions about their companies or industries. Services include:
 - Company Specific Valuations
 - Capital Road Maps®
 - Strategic Industry Analyses

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:

Manufacturing & Distribution

- Manufacturing / Valued Added Manufacturing
- Manufacturing Process Technology
- Distribution / Value Added Distribution

Building Products & Services

- Windows & Doors
- Pre-fabricated Forms and Components
- Caulks & Sealants
- Flooring Products

Energy Logistics & Distribution

- Natural Gas Liquids: Direct to Consumer, Wholesale & Midstream
- Light Fuels
- Lubricants
- Petro Chemicals

Flow Control

- Pumps, Valves & Filtration
- Water Management
- Related Technology

Business Services

Real Estate

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/research-library. 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 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



Baker Hughes to Sell its Natural Gas Solutions Business

Baker Hughes, a GE company (BHGE) agreed to sell its Natural Gas Solutions (NGS) business to two companies, First Reserve and Pietro Fiorentini Spa, for a combined value of \$375 million. NGS is part of BHGE's Turbomachinery & Process Solutions segment and is a global original equipment manufacturer of commercial and industrial products such as gas meters, chemical injection pumps, pipeline repair products and electric actuators. Based in Houston, Texas, NGS's equipment serves diverse energy end markets, including the gas distribution, utility, midstream and petrochemical industries, where replacement and updating of aging infrastructure is critical.

The NGS product line will be sold to First Reserve, a global private equity firm that focuses on the energy industry. The new company will be known as Dresser Natural Gas Solutions. This transaction includes three manufacturing sites in North America and the United Kingdom, and approximately 450 employees located in eight countries. First Reserve previously owned the business for approximately 10 years when it was part of Dresser Inc., a former First Reserve portfolio company that was sold in 2011 to General Electric Company.

In a separate transaction, the Talamona branch of BHGE's NGS product line will be sold to Pietro Fiorentini and includes a manufacturing site in Talamona, Italy and about 40 employees. Italy's Pietro Fiorentini designs, manufactures and sells components, systems and services for the regulation and metering of natural gas.

BHGE was formed over a year ago through the merger of Houston-based Baker Hughes Inc. and London-based GE Oil & Gas. The combined company had 64,000 employees as of December 31, 2017, the majority of whom are based outside of the U.S. The company's consolidated revenue for 2017 was nearly \$17.26 billion.

Earlier this year, Boston-based General Electric announced the results of its nearly year-long strategic review, which includes pursuing "an orderly separation from BHGE over the next two to three years" and separating GE Healthcare into a standalone company. General Electric gained nearly \$10 billion in value following the announcement.

With operations in over 120 countries, BHGE provides integrated oilfield products, services and digital solutions worldwide. The Company operates through four divisions: Oilfield Services, Oilfield Equipment, Turbomachinery & Process Solutions and Digital Solutions.

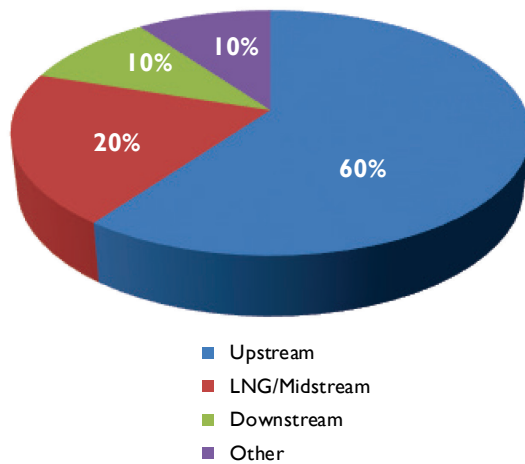
The Company's Oilfield Services segment provides products and services for onshore and offshore operations across the lifecycle of a well, ranging from drilling, evaluation, completion, production and intervention. Customers include large integrated major and super-major oil and natural gas companies, U.S. and international independent oil and natural gas companies and national or state-owned oil companies, as well as oilfield service companies.

The Oilfield Equipment segment provides products and services required to facilitate the flow of hydrocarbons from the subsea wellhead to surface production facilities. The segment designs and manufactures onshore and offshore drilling and production systems and equipment for floating production platforms and provides a full range of services related to onshore and offshore drilling activities.

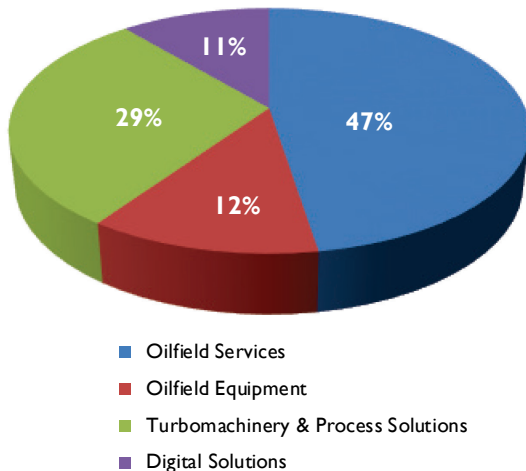
The Turbomachinery & Process Solutions segment provides equipment and related services for mechanical-drive, compression and power-generation applications across the oil and gas industry, as well as products and services to serve the downstream segments of the industry including refining, petrochemical, distributed gas, flow and process control, and other industrial applications. Products includes drivers, driven equipment, flow control and turnkey solutions.

The Digital Solutions segment provides operating technologies that help companies monitor and optimize industrial assets. The portfolio includes condition monitoring, inspection technologies, measurement, sensing and pipeline solutions.

Baker Hughes Revenue by Energy Segment⁽¹⁾



Baker Hughes Revenue by Division⁽¹⁾



(1) Source: Baker Hughes, a GE company.

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: 3Q 2018⁽¹⁾

Announced Date	Target	Acquirer(s)
9/28/2018	Process Components Ltd.	Schenck Process Holding GmbH
9/27/2018	Fabco-Air, Inc.	Festo Corporation
9/4/2018	KREISEL GmbH & Co. KG	Zech Group GmbH
8/7/2018	Precision Valve Corporation	ONCAP

TABLE III: SELECTED PUMP M&A TRANSACTIONS: 3Q 2018⁽¹⁾

Announced Date	Target	Acquirer(s)
9/20/2018	Brown Brothers Engineers Australia Pty. Ltd.	AxFlow Holding AB
8/7/2018	Precision Valve Corporation	ONCAP
7/18/2018	Natural Gas Solutions Business of Baker Hughes, a GE company	First Reserve Corporation
7/18/2018	Talamona Branch of Baker Hughes, a GE company	Pietro Fiorentini Spa
7/9/2018	Southwest Waterworks Contractors Inc.	PumpMan, Inc.
7/9/2018	Groundwater Pump & Well	PumpMan, Inc.
7/3/2018	Industrias Rotor Pump SA	Franklin Electric Co., Inc.

TABLE IV: SELECTED FILTER M&A TRANSACTIONS: 3Q 2018⁽¹⁾

Announced Date	Target	Acquirer(s)
9/27/2018	Fabco-Air, Inc.	Festo Corporation
9/24/2018	CT Chemical Inc.	Avidity Science LLC
9/21/2018	Ohio Blow Pipe Company	CapitalWorks LLC
9/20/2018	FilterBoxx Inc.	Ovivo Inc.
9/11/2018	BOFA International Ltd.	Donaldson Company, Inc.
8/23/2018	GEA Delbag-Luftfilter Vertriebsgesellschaft GmbH	Hengst SE & Co. KG
7/19/2018	Tri-Dim Filter Corporation	MANN + HUMMEL Holding GmbH
7/17/2018	Precision Filtration Division of Precision Custom Coatings LLC	Lydall Performance Materials, Inc.

(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 up 19.0% over the last 12 months, while the broader S&P 500 Index gained 15.2%.

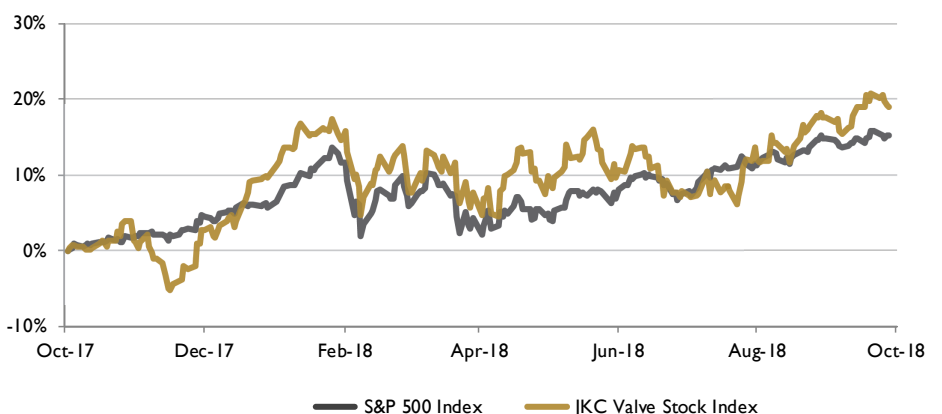
The United States became a net natural gas exporter on an annual basis last year for the first time in almost 60 years. From January through June of this year, net natural gas exports from the U.S. more than doubled the average daily net exports during all of 2017. U.S. exports of LNG rose 58% through the first half of 2018 compared with the same period in 2017. Exports of natural gas by pipeline to Mexico grew by 4% in the first half of the year, while exports by pipeline to Canada declined by 14%. Net natural gas exports are expected to continue rising through 2018 as additional LNG export capacity comes online and as natural gas infrastructure in Mexico is put into service.⁽¹⁾

U.S. crude oil exports increased by almost 80% from the first half of 2017 to the first half of 2018 and set a new monthly record of 2.2 million barrels per day in June. Crude oil has now surpassed hydrocarbon gas liquids to become the largest U.S. petroleum export. The Asian and Oceanic countries of China, South Korea and India were the largest markets. Led by Italy, the U.K. and the Netherlands, Europe was the second largest market for U.S. crude oil exports.

On Wall Street for the month of September the Dow Jones Industrial Average gained 1.9% and the S&P 500 Index increased by 0.4%, while the NASDAQ Composite fell 0.8%. Strong economic data including consumer confidence, industrial production, consumer spending and durable goods orders significantly boosted the market. While investors were concerned by the lingering trade conflict between the U.S. and China. The Trump Administration imposed \$200 billion of new tariffs on China and threatened to impose another \$267 billion if China retaliates. China responded with \$60 billion in retaliatory tariffs.

The United States became a net natural gas exporter on an annual basis last year for the first time in almost 60 years.

CHART I: JKC VALVE STOCK INDEX⁽²⁾



(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 September 30, 2018, domestic and international Valve companies were trading at median total enterprise value / latest twelve months (“TEV/LTM”) EBITDA multiples of 12.7x and 10.0x, respectively, while both groups have median EBITDA margins of 16.9% and 12.2%, respectively. The median stock price as a percentage of the 52-week high for both groups is 84% and 81%, 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⁽¹⁾

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

Company	LTM			Stock Price 6/30/2018	% of 52-Week High	Market Cap	Total Enterprise Value ⁽³⁾	TEV / LTM		Net Debt ⁽⁴⁾ EBITDA
	Revenues ⁽²⁾	EBITDA ⁽²⁾	Margin					Revenues	EBITDA	
Badger Meter Inc. (BMI)	\$415	\$69	16.7%	\$44.70	85.8%	\$1,301	\$1,336	3.2x	19.3x	0.4x
CIRCOR International Inc. (CIR)	792	77	9.7	36.96	60.4	733	1,425	1.8	18.5	9.0
Crane Co. (CR)	3,060	540	17.6	80.13	78.1	4,784	5,556	1.8	10.3	1.5
Curtiss-Wright Corp. (CW)	2,348	480	20.5	119.02	83.0	5,262	5,680	2.4	11.8	1.2
Dover Corp. (DOV)	7,946	1,412	17.8	73.20	67.1	11,322	14,413	1.8	10.2	2.1
Emerson Electric Co. (EMR)	16,955	3,603	21.3	69.14	92.9	43,564	46,355	2.7	12.9	0.7
Flowserve Corp. (FLS)	3,714	406	10.9	40.40	84.0	5,286	6,341	1.7	15.6	2.6
General Electric Co. (GE)	124,038	5,703	4.6	13.61	49.3	118,207	252,151	2.0	44.2	17.9
Honeywell International Inc. (HON)	42,275	8,704	20.6	144.05	87.2	107,595	115,786	2.7	13.3	0.8
ITT Corporation (ITT)	2,715	458	16.9	52.27	90.7	4,569	4,388	1.6	9.6	(0.5)
Mueller Water Products, Inc. (MWA)	889	159	17.9	11.72	90.2	1,853	2,010	2.3	12.6	0.7
Parker Hannifin Corporation (PH)	14,302	2,348	16.4	155.85	73.2	20,722	25,411	1.8	10.8	1.7
Schlumberger Limited (SLB)	32,215	7,009	21.8	67.03	83.4	92,845	107,194	3.3	15.3	2.1
SPX Flow Inc. (FLOW)	2,042	229	11.2	43.77	79.7	1,861	2,489	1.2	10.9	2.8
TechnipFMC plc (FTI)	13,910	1,905	13.7	31.74	90.7	14,560	12,119	0.9	6.4	(0.9)
Watts Water Technologies, Inc. (WTS)	1,488	231	15.5	78.40	93.1	2,677	2,939	2.0	12.7	1.1
Xylem Inc. (XYL)	5,006	882	17.6	67.38	84.4	12,123	14,441	2.9	16.4	2.5
Median			16.9%		84.0%			2.0x	12.7x	1.5x
Mean			15.9		80.8			2.1	14.8	2.7

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/18.

(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⁽¹⁾

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

Company	LTM			Stock Price 9/30/2018	% of 52-Week High	Market Cap	Total Enterprise Value ⁽³⁾	TEV / LTM		Net Debt ⁽⁴⁾ EBITDA
	Revenues ⁽²⁾	EBITDA ⁽²⁾	Margin					Revenues	EBITDA	
Aalberts Industries NV (AALB)	\$3,152	\$504	16.0%	\$42.62	81.4%	\$4,713	\$5,604	1.8x	11.1x	1.7x
Alfa Laval AB (ALFA)	4,230	755	17.8	27.11	96.7	11,372	12,443	2.9	16.5	1.3
Georg Fischer AG (FI-N)	4,691	542	11.6	1,137.18	78.2	4,656	5,200	1.1	9.6	0.9
Hisaka Works Ltd. (6247)	252	28	11.2	10.56	94.6	315	188	0.7	6.6	(4.5)
Hitachi Ltd. (6501)	83,234	10,324	12.4	34.01	81.8	32,841	43,383	0.5	4.2	0.1
IMI plc (IMI)	2,370	426	18.0	14.31	75.5	3,855	4,441	1.9	10.4	1.4
Kitz Corp. (6498)	1,128	138	12.2	8.65	87.5	825	1,016	0.9	7.4	1.2
KSB Aktiengesellschaft (KSB)	2,524	117	4.6	362.50	61.4	634	660	0.3	5.6	(1.4)
Kubota Corp. (6326)	15,956	2,212	13.9	17.02	81.5	20,965	26,382	1.7	11.9	2.3
Lupatech S.A. (LUPA3)	26	(51)	(193.5)	0.37	31.0	6	57	2.2	NM	(0.9)
Metso Corp. (METSO)	3,339	372	11.1	35.48	94.6	5,322	5,540	1.7	14.9	0.5
Okano Valve Manufacturing Co. (6492)	74	6	8.2	22.87	87.4	40	39	0.5	6.4	(0.1)
Saint Gobain (SGO)	47,854	4,839	10.1	43.16	72.3	23,545	34,789	0.7	7.2	2.2
SMC Corp. (6273)	5,300	1,889	35.6	320.39	65.1	21,537	17,103	3.2	9.1	(2.5)
Spirax-Sarco Engineering plc (SPX)	1,458	370	25.4	95.23	86.8	7,007	7,495	5.1	20.2	1.3
The Weir Group PLC (WEIR)	3,255	489	15.0	23.00	75.6	5,956	6,689	2.1	13.7	1.5
Velan, Inc. (VLN)	346	6	1.7	9.05	57.1	196	166	0.5	27.9	(5.6)
Median			12.2%		81.4%			1.7x	10.0x	0.9x
Mean			1.9		77.0			1.6	11.4	(0.0)

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/18.

(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 was down 0.8% over the last twelve months, while the S&P 500 Index gained 15.2% over the same time period.

The Institute for Supply Management's Purchasing Managers' Index (PMI) slowed from 61.3% in August to 59.8% in September. The new orders index and backlog of orders index both fell during the month and are now below their six month averages. The prices paid index fell 5.2 percentage points to 66.9%, the first time it has been below 70% this year. Survey respondents are again concerned about tariff-related activity, with a chemical products manufacturer stating that tariffs are starting to take a bite out of profitability.⁽¹⁾

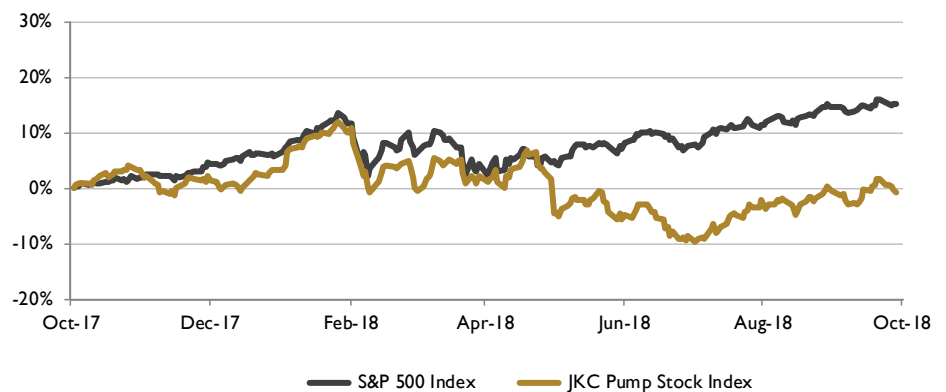
The [PMI] prices paid index fell 5.2 percentage points to 66.9%, the first time it has been below 70% this year.

The U.S. economy added 134,000 jobs in September. Hurricane Florence likely impacted this number as about 300,000 workers said they were unable to work due to bad weather during the month, compared to an average of 85,000 workers in a typical September. Job gains were seen in manufacturing, construction and mining. Retail and leisure & hospitality lost jobs during the month. The unemployment rate fell to 3.7%. Payroll growth was revised upward by 87,000 jobs for July and August.

After a modest increase in July, the Consumer Confidence Index jumped 5.5 points in August to 133.4, with gains in both present and future expectations. Current optimism reflects the tightening labor market, as the share of consumers stating jobs as plentiful was unchanged, and those who see jobs as hard to get fell 2.1 points, pushing the labor differential up to its highest level since 2001.

On Wall Street for the month of September the Dow Jones Industrial Average gained 1.9% and the S&P 500 Index increased by 0.4%, while the NASDAQ Composite fell 0.8%. Strong economic data including consumer confidence, industrial production, consumer spending and durable goods orders significantly boosted the market. While investors were concerned by the lingering trade conflict between the U.S. and China. The Trump Administration imposed \$200 billion of new tariffs on China and threatened to impose another \$267 billion if China retaliates. China responded with \$60 billion in retaliatory tariffs.

CHART II: JKC PUMP STOCK INDEX⁽²⁾



(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 13.6x and 12.3x, respectively, as of September 30, 2018. 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⁽¹⁾

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

Company	LTM			Stock Price 9/30/2018	% of 52-Week High	Market Cap	Total Enterprise Value ⁽³⁾	TEV / LTM		Net Debt ⁽⁴⁾ EBITDA
	Revenues ⁽²⁾	EBITDA ⁽²⁾	Margin					Revenues	EBITDA	
Ampco-Pittsburgh Corp. (AP)	\$469	\$17	3.5%	\$5.90	31.7%	\$74	\$141	0.3x	8.5x	3.8x
Baker Hughes Inc. (BHGE)	22,491	2,421	10.8	33.83	89.6	13,926	39,439	1.8	16.3	1.0
Colfax Corporation (CFX)	3,556	428	12.0	36.06	83.3	4,288	5,326	1.5	12.4	2.0
Crane Co. (CR)	3,220	585	18.2	98.35	95.8	5,861	6,655	2.1	11.4	1.2
Curtiss-Wright Corp. (CW)	2,375	487	20.5	137.42	95.8	6,044	6,639	2.8	13.6	1.2
DanaHER Corp. (DHR)	19,615	4,864	24.8	108.66	99.4	76,035	86,464	4.4	17.8	2.0
Dover Corp. (DOV)	7,945	1,408	17.7	88.53	81.2	13,076	16,093	2.0	11.4	2.2
Energy Recovery, Inc. (ERII)	75	12	15.7	8.95	79.2	480	404	5.4	34.6	(7.3)
Flowserve Corp. (FLS)	3,880	456	11.8	54.69	96.2	7,156	8,184	2.1	17.9	2.1
Franklin Electric Co. Inc. (FELE)	1,270	169	13.3	47.25	91.8	2,207	2,403	1.9	14.2	1.0
General Electric Co. (GE)	122,949	5,991	4.9	11.29	45.4	98,122	220,351	1.8	36.8	16.9
Gorman-Rupp Co. (GRC)	406	67	16.6	36.50	95.4	953	870	2.1	12.9	(1.5)
Graco Inc. (GGG)	1,622	459	28.3	46.34	93.3	7,746	7,940	4.9	17.3	0.3
IDEX Corp. (IEX)	2,455	649	26.4	150.66	95.5	11,553	11,953	4.9	18.4	0.5
Illinois Tool Works Inc. (ITW)	14,817	4,053	27.4	141.12	78.8	47,325	53,119	3.6	13.1	1.4
Ingersoll-Rand Co. Ltd. (IR)	15,391	2,278	14.8	102.30	97.8	25,095	28,501	1.9	12.5	1.3
ITT Corporation (ITT)	2,750	478	17.4	61.26	97.2	5,364	5,134	1.9	10.7	(0.8)
National Oilwell Varco, Incorporated (NOV)	8,024	705	8.8	43.08	87.8	16,483	18,129	2.3	25.7	2.0
Pentair, Inc. (PNR)	5,036	1,025	20.4	43.35	57.9	7,604	8,305	1.6	8.1	0.7
Roper Technologies Inc. (ROP)	5,041	1,739	34.5	296.21	94.7	30,612	35,814	7.1	20.6	2.8
Schlumberger Limited (SLB)	32,815	7,030	21.4	60.92	75.8	84,321	99,286	3.0	14.1	2.1
SPX Flow Inc. (FLOW)	2,081	244	11.7	52.00	94.7	2,212	2,858	1.4	11.7	2.5
Standex International Corp. (SXI)	872	126	14.5	104.25	91.3	1,337	1,421	1.6	11.3	1.5
United Technologies Corp. (UTX)	64,137	10,616	16.6	139.81	97.0	111,861	131,214	2.0	12.4	2.5
Weatherford International Ltd. (WFT)	5,805	(128)	(2.2)	2.71	59.5	2,702	10,263	1.8	NM	NM
Xylem Inc. (XYL)	5,098	909	17.8	79.87	96.9	14,346	16,581	3.3	18.2	2.3
Median			16.6%		92.5%			2.1x	13.6x	1.5x
Mean			16.4		84.7			2.7	16.1	1.8

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/18.

(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⁽¹⁾

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

Company	LTM			Stock Price 9/30/2018	% of 52-Week High	Market Cap	Total Enterprise Value ⁽³⁾	TEV / LTM		Net Debt ⁽⁴⁾ EBITDA
	Revenues ⁽²⁾	EBITDA ⁽²⁾	Margin					Revenues	EBITDA	
Alfa Laval AB (ALFA)	\$4,230	\$755	17.8%	\$27.11	96.7%	\$11,372	\$12,443	2.9x	16.5x	1.3x
Andritz AG (ANDR)	6,828	456	6.7	58.38	93.9	5,900	5,408	0.8	11.8	(0.9)
DMW Corp. (6365)	157	19	12.1	20.57	93.4	89	2	0.0	0.1	(4.0)
Ebara Corp. (6361)	4,849	499	10.3	34.54	82.6	3,514	2,994	0.6	6.0	(0.5)
FLSmidth & Co. A/S (FLS)	2,806	256	9.1	62.28	89.2	3,101	3,444	1.2	13.5	1.2
Gevelot SA (ALGEV)	104	28	26.9	220.75	88.0	181	(20)	NM	NM	0.5
GUD Holdings Ltd. (GUD)	287	63	21.8	10.47	93.1	906	974	3.4	15.6	1.1
Hyundai Heavy Industries Co. Ltd. (A009540)	11,545	(147)	(1.3)	121.17	81.3	8,374	9,046	0.8	NM	NM
John Wood Group plc (WJG)	8,272	445	5.4	10.07	97.9	6,731	8,310	1.0	18.7	3.6
Kirloskar Brothers Ltd. (500241)	388	22	5.7	3.10	52.1	246	282	0.7	12.8	0.0
KSB Aktiengesellschaft (KSB)	2,524	117	4.6	362.50	61.4	634	660	0.3	5.6	(1.4)
Kubota Corp. (6326)	15,956	2,212	13.9	17.02	81.5	20,965	26,382	1.7	11.9	2.3
Metso Corp. (METSO)	3,339	372	11.1	35.48	94.6	5,322	5,540	1.7	14.9	0.5
Nikkiso Co. Ltd. (6376)	1,350	135	10.0	13.10	98.8	933	1,712	1.3	12.7	5.7
Pfeiffer Vacuum Technology AG (PFV)	754	126	16.7	146.62	72.1	1,447	1,404	1.9	11.1	(0.3)
SKF AB (SKF B)	9,144	1,296	14.2	19.73	87.1	8,982	9,931	1.1	7.7	0.8
Spirax-Sarco Engineering plc (SPX)	1,458	370	25.4	95.23	86.8	7,007	7,495	5.1	20.2	1.3
Sulzer, Ltd. (SUN)	3,304	334	10.1	120.79	84.3	4,112	4,670	1.4	14.0	1.6
Teikoku Electric Mfg. Co., Ltd. (6333)	189	34	17.8	15.01	95.8	297	228	1.2	6.8	(2.3)
The Weir Group PLC (WEIR)	3,255	489	15.0	23.00	75.6	5,956	6,689	2.1	13.7	1.5
Torishima Pump Manufacturing Co. Ltd. (6363)	412	28	6.9	9.68	90.1	263	241	0.6	8.5	0.1
Tsurumi Manufacturing Co. Ltd. (6351)	360	47	13.0	16.52	84.4	414	284	0.8	6.1	(2.8)
Median			11.6%		87.5%			1.2x	12.3x	0.5x
Mean			12.4		85.5			1.5	11.4	0.4

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/18.

(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 4.7% over the last twelve months, while the S&P 500 Index gained 15.2%.

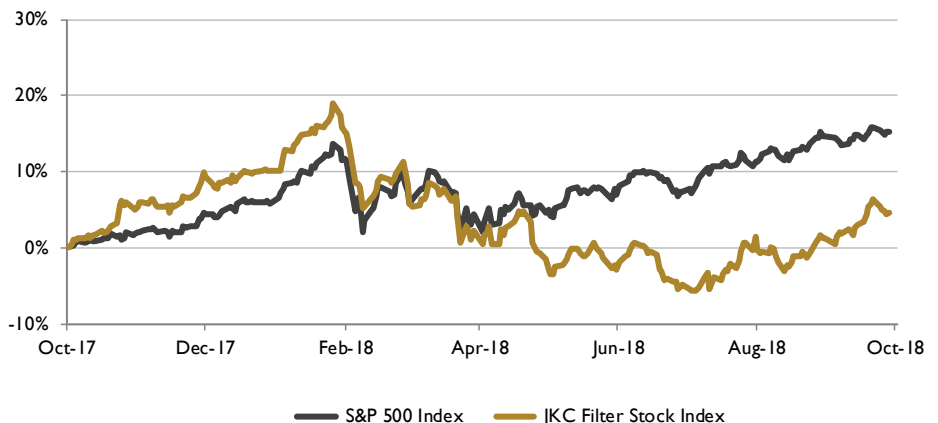
New single-family home sales declined to a 553,000 seasonally adjusted annual rate in September, a 5.5% drop from August. This was the lowest annual rate since December 2016. The drop in monthly sales volume also pushed the months' supply number to an elevated 7.1, the highest since the summer of 2011. Total sales for the first nine months of 2018 were 3.5% higher than the comparable total for 2017. Nonetheless, mirroring declining sales for the resale market, higher interest rates, storm disruption effects, and spring and summer hikes in lumber prices have taken a toll on the nation's building markets, even as macroeconomic conditions remain positive.⁽¹⁾

With the exception of Fiat Chrysler, major automakers posted a hefty drop in U.S. new vehicle sales for September, caused in part by a decline in sales in areas hit by Hurricane Florence and a tough comparison to the previous September when consumers replaced vehicles damaged by Hurricane Harvey. U.S. sales at Fiat Chrysler rose 15% behind stronger results at the Jeep and Ram brands. Deliveries jumped 14% at Jeep, 9% at Ram and 41% at Dodge. General Motors' sales dropped an estimated 14%. Ford Motor Co.'s U.S. sales fell 11% as truck demand slipped 9.9% and SUV/crossover sales dropped 2.7%. At Toyota Motor Corp., volume dropped 10%. Rising interest rates and elevated gasoline prices are expected to dampen consumer demand through the remainder of the year.

On Wall Street for the month of September the Dow Jones Industrial Average gained 1.9% and the S&P 500 Index increased by 0.4%, while the NASDAQ Composite fell 0.8%. Strong economic data including consumer confidence, industrial production, consumer spending and durable goods orders significantly boosted the market. While investors were concerned by the lingering trade conflict between the U.S. and China. The Trump Administration imposed \$200 billion of new tariffs on China and threatened to impose another \$267 billion if China retaliates. China responded with \$60 billion in retaliatory tariffs.

Rising interest rates and elevated gasoline prices are expected to dampen consumer demand [for vehicles] through the remainder of the year.

CHART III: JKC FILTER STOCK INDEX⁽²⁾



(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 September 30, 2018, domestic and international Filter companies (listed in Table IX and Table X, respectively) were trading at medians of 13.0x and 11.4x, respectively, of TEV/LTM EBITDA with median LTM EBITDA margins of 17.6% and 12.4%, respectively. With the exception of a few companies, both the domestic and international Filter companies are conservatively capitalized.

TABLE IX: SELECTED DOMESTIC FILTER COMPANIES⁽¹⁾

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

Company	LTM			Stock Price 9/30/2018	% of 52-Week High	Market Cap	Total Enterprise Value ⁽³⁾	TEV / LTM		Net Debt ⁽⁴⁾ EBITDA
	Revenues ⁽²⁾	EBITDA ⁽²⁾	Margin					Revenues	EBITDA	
3M Co. (MMM)	\$32,810	\$8,514	25.9%	\$210.71	81.1%	\$123,605	\$135,018	4.1x	15.9x	1.3x
Cantel Medical Corp. (CMD)	872	166	19.0	92.06	70.3	3,839	3,943	4.5	23.8	0.6
CECO Environmental Corp. (CECE)	317	24	7.5	7.88	83.7	275	326	1.0	13.7	2.2
Corning Inc. (GLW)	10,892	2,812	25.8	35.30	96.6	28,594	34,310	3.1	12.2	1.2
Crane Co. (CR)	3,220	585	18.2	98.35	95.8	5,861	6,655	2.1	11.4	1.2
Cummins Inc. (CMI)	23,121	3,309	14.3	146.07	75.2	23,782	25,607	1.1	7.7	0.3
Donaldson Company Inc. (DCI)	2,734	457	16.7	58.26	98.0	7,514	7,853	2.9	17.2	0.7
Eaton Corporation (ETN)	21,363	3,750	17.6	86.73	96.5	37,580	44,860	2.1	12.0	1.8
Entegris, Inc. (ENTG)	1,499	423	28.2	28.95	73.2	4,100	4,493	3.0	10.6	0.8
ESCO Technologies Inc. (ESE)	748	126	16.8	68.05	96.9	1,763	2,006	2.7	15.9	1.9
General Electric Co. (GE)	122,949	5,991	4.9	11.29	45.4	98,122	220,351	1.8	36.8	16.9
Honeywell International Inc. (HON)	42,916	9,006	21.0	166.40	99.3	123,570	130,982	3.1	14.5	0.7
Illinois Tool Works Inc. (ITW)	14,817	4,053	27.4	141.12	78.8	47,325	53,119	3.6	13.1	1.4
Lydall Inc. (LDL)	754	91	12.0	43.10	71.8	749	776	1.0	8.5	3.2
Parker Hannifin Corporation (PH)	14,417	2,539	17.6	183.93	86.4	24,355	28,463	2.0	11.2	1.6
Pentair, Inc. (PNR)	5,036	1,025	20.4	43.35	57.9	7,604	8,305	1.6	8.1	0.7
Tenneco Inc. (TEN)	9,874	856	8.7	42.14	64.2	2,167	3,473	0.4	4.1	1.6
Watts Water Technologies, Inc. (WTS)	1,544	238	15.4	83.00	88.9	2,833	3,100	2.0	13.0	0.9
Xylem Inc. (XYL)	5,098	909	17.8	79.87	96.9	14,346	16,581	3.3	18.2	2.3
Median			17.6%		83.7%			2.1x	13.0x	1.3x
Mean			17.6		82.0			2.4	14.1	2.2

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/18.

(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⁽¹⁾

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

Company	LTM			Stock Price 9/30/2018	% of 52-Week High	Market Cap	Total Enterprise Value ⁽³⁾	TEV / LTM		Net Debt ⁽⁴⁾ EBITDA
	Revenues ⁽²⁾	EBITDA ⁽²⁾	Margin					Revenues	EBITDA	
Ahlstrom-Munksjo Oyj (AMI)	\$2,613	\$274	10.5%	\$19.17	82.1%	\$1,842	\$2,343	0.9x	8.6x	1.9x
Alfa Laval AB (ALFA)	4,230	755	17.8	27.11	96.7	11,372	12,443	2.9	16.5	1.3
Amiad Filtration Systems Ltd (AFS)	112	8	6.7	3.24	89.9	73	86	0.8	11.4	1.4
Andritz AG (ANDR)	6,828	456	6.7	58.38	93.9	5,900	5,408	0.8	11.8	(0.9)
Asahi Kasei Corp. (3407)	18,357	2,924	15.9	15.18	98.2	21,197	22,754	1.2	7.8	0.8
Daikin Industries Ltd. (6367)	20,802	3,192	15.3	133.28	96.5	38,976	40,873	2.0	12.8	0.3
Denso Corp. (6902)	46,478	6,039	13.0	52.86	83.1	41,278	40,973	0.9	6.8	(0.2)
Faurecia SA (EO)	23,966	1,967	8.2	60.23	67.3	8,261	9,228	0.4	4.7	0.3
FLSmidth & Co. A/S (FLS)	2,806	256	9.1	62.28	89.2	3,101	3,444	1.2	13.5	1.2
GEA Group AG (GIA)	5,494	363	6.6	36.12	72.7	6,520	6,644	1.2	18.3	0.3
GUD Holdings Ltd. (GUD)	287	63	21.8	10.47	93.1	906	974	3.4	15.6	1.1
Hyflux Ltd. (600)	242	(57)	(23.6)	0.15	36.5	121	1,403	5.7	NM	(17.4)
Ibiden Co., Ltd. (4062)	2,685	364	13.6	14.04	78.0	1,961	1,661	0.6	4.6	(1.0)
Johnson Matthey plc (JMAT)	18,423	868	4.7	46.47	92.0	8,921	9,803	0.5	11.3	1.1
NGK Insulators Ltd. (5333)	4,021	914	22.7	16.51	81.3	5,313	5,645	1.4	6.2	0.3
Nitto Denko Corp. (6988)	7,465	1,482	19.9	75.04	72.5	11,767	9,328	1.2	6.3	(1.7)
Porvair plc (PRV)	157	20	12.9	6.41	86.7	293	290	1.8	14.3	(0.1)
Sartorius AG (SRT)	1,697	428	25.2	146.39	90.3	10,559	11,875	7.0	27.8	2.5
Siemens AG (SIE)	96,247	10,962	11.4	128.22	87.7	106,793	133,936	1.4	12.2	2.1
Toray Industries Inc. (3402)	19,805	2,350	11.9	7.52	70.7	12,032	18,777	0.9	8.0	3.1
Median			12.4%		87.2%			1.2x	11.4x	0.6x
Mean			11.5		82.9			1.8	11.5	(0.2)

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/18.

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

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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 and international companies are generally at lower levels than last year at this time.

CHART IV: QTRLY MEDIAN TEV/LTM EBITDA VALUATION MULTIPLES⁽¹⁾

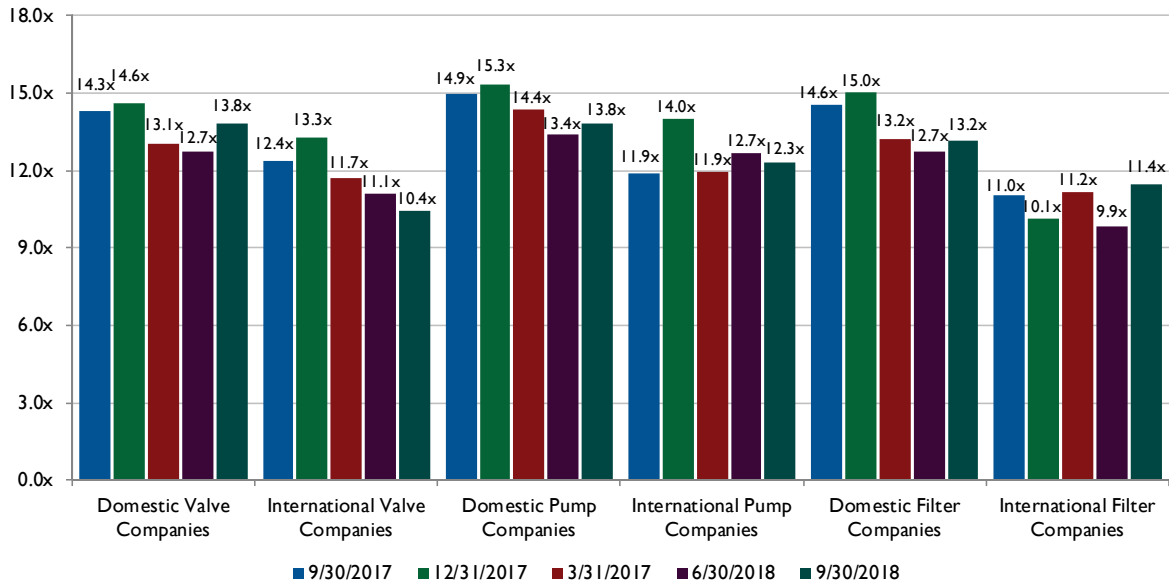
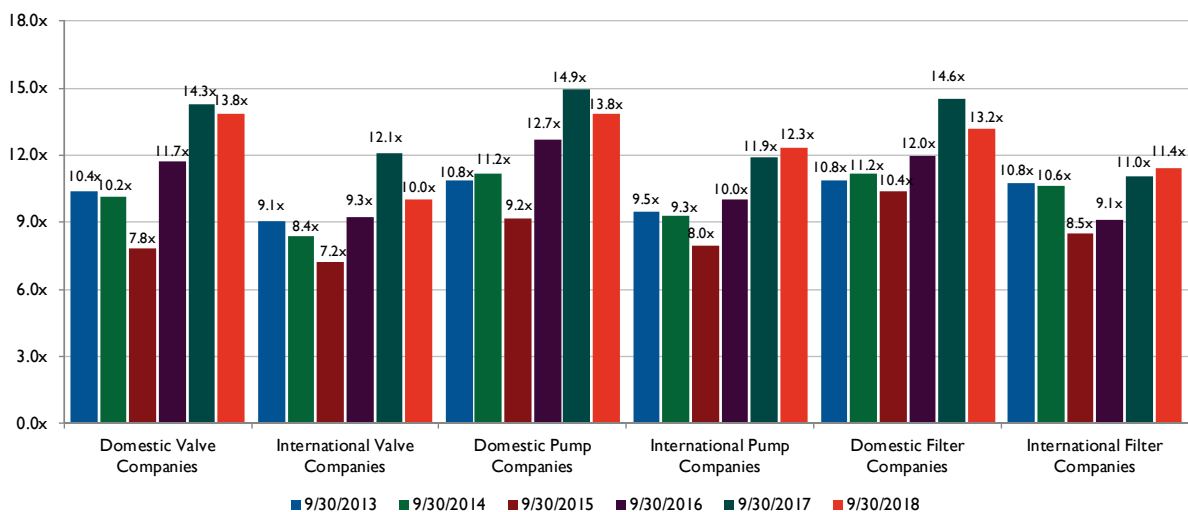


CHART V: ANNUAL MEDIAN TEV/LTM EBITDA VALUATION MULTIPLES⁽¹⁾



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

Economic Indicators – Valves and Pumps⁽¹⁾

BY DAVID A. KAKAREKA

CHART VI: U.S. PMI INDEX⁽²⁾ AND MANUFACTURING SHIPMENTS⁽³⁾

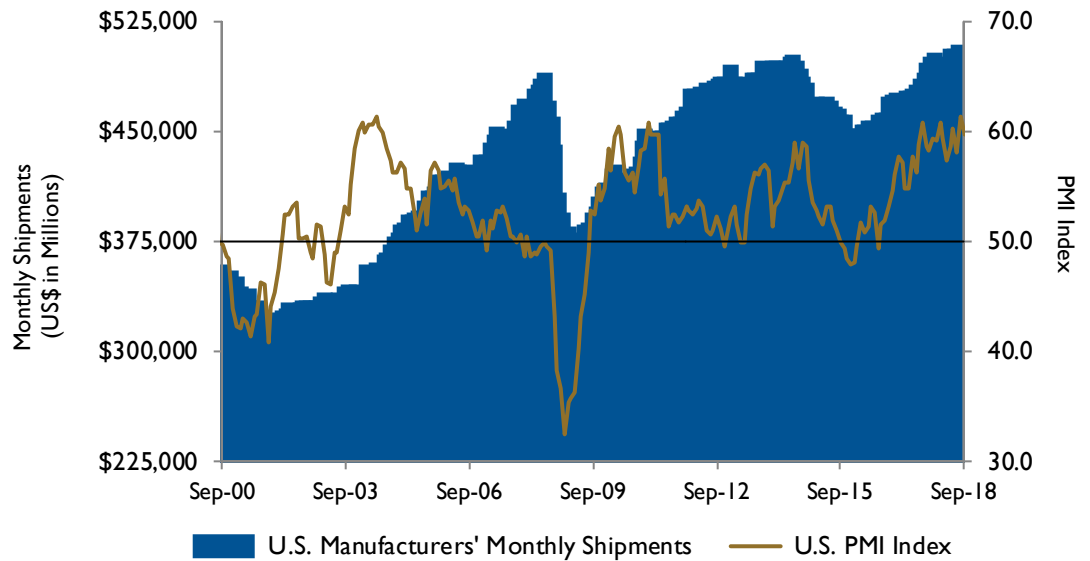
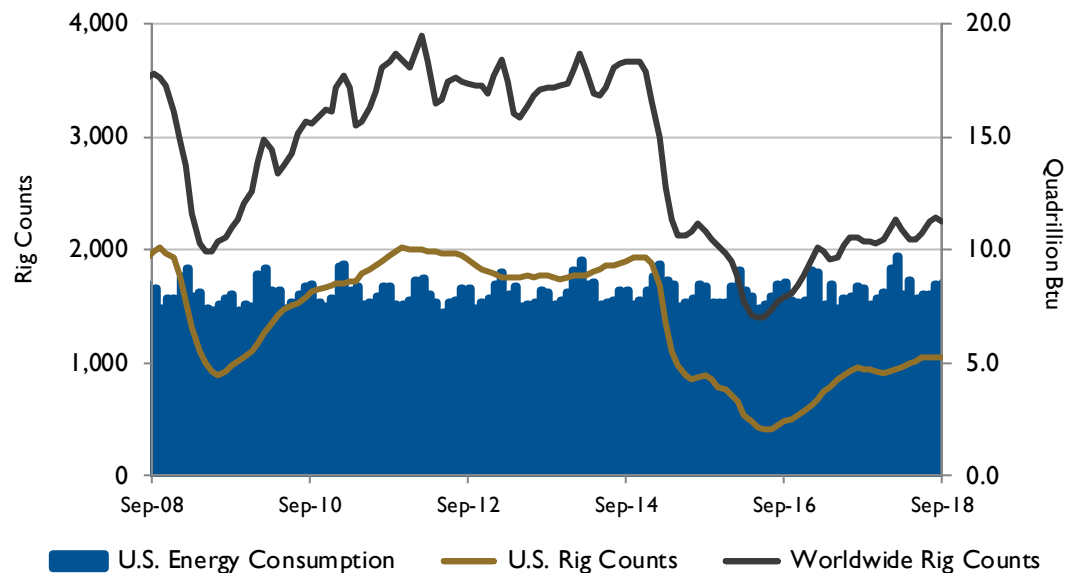


CHART VII: U.S. ENERGY CONSUMPTION⁽⁴⁾ AND RIG COUNTS⁽⁵⁾



(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⁽¹⁾

BY DAVID A. KAKAREKA

CHART VIII: U.S. HOUSING STARTS AND CONSTRUCTION SPENDING⁽²⁾

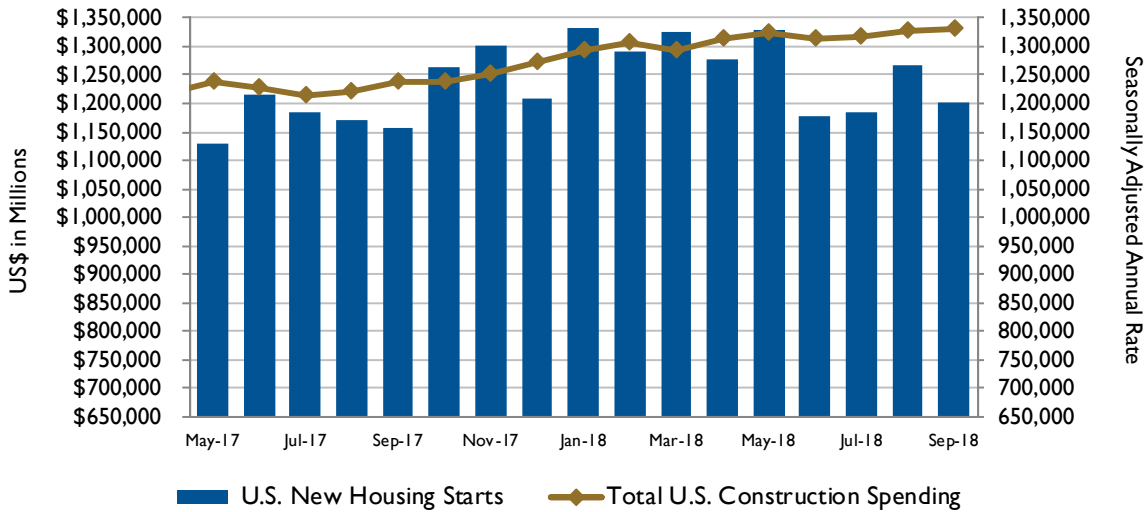
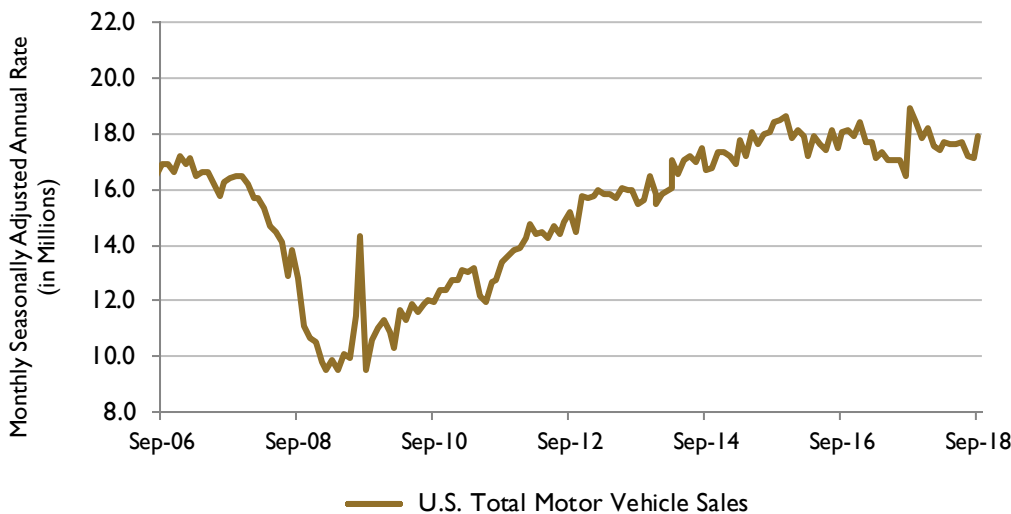


CHART IX: U.S. MOTOR VEHICLE SALES⁽³⁾



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

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ABOUT JORDAN KNAUFF & COMPANY

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