

FLOW CONTROL

Industry In-Sight™

FOURTH 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

Energy Logistics & Distribution

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

Building Products & Services

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

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. Visit our research library at www.jordanknauff.com/research-library to view our previous Flow Control quarterly publications, as well as our other industry publications.

If 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



Gardner Denver Acquires MP Pumps

Gardner Denver Holdings Inc. acquired MP Pumps Inc. in December for approximately \$58 million in cash. The acquisition will provide further access to the specialty industrial pumps market and leverage Gardner Denver's distribution network, commercial, operational and R&D capabilities. The acquisition also fulfills its strategy of acquiring mission critical technologies with strong aftermarket potential. MP Pumps will become part of Gardner Denver's Industrials segment.

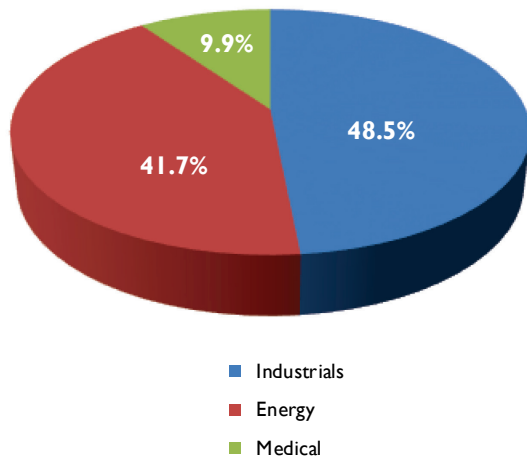
Based in Fraser, Michigan, MP Pumps manufactures specialty industrial pumps and associated aftermarket parts for use in a variety of industrial end markets. MP Pumps was founded in Detroit in 1942, and provides pumps for the following markets:

- Industrials - end suction and self-priming models with focus on stainless steel and high temperatures for manufacturing, process, filtration and maintenance applications.
- Transportation - circulation pumps for every transportation need from school buses to motor coaches and aftermarket.
- Agriculture - pumps for mixing, blending, distribution, storage and application of agricultural chemicals, fuel and diesel exhaust fluid.
- Marine - ABS approved bronze, cast iron and stainless steel models for bilge, fire, cooling, air conditioning, baitwell and grey-black water applications.
- Petroleum - self-priming and end suction pumps for bio-diesel, fuel oil, kerosene, aviation gasoline, diesel, jet fuel, ethanol and E85.
- Ware Wash - stainless steel pumps for every application from glass washers to flight type machines, pulpers and waste handling.

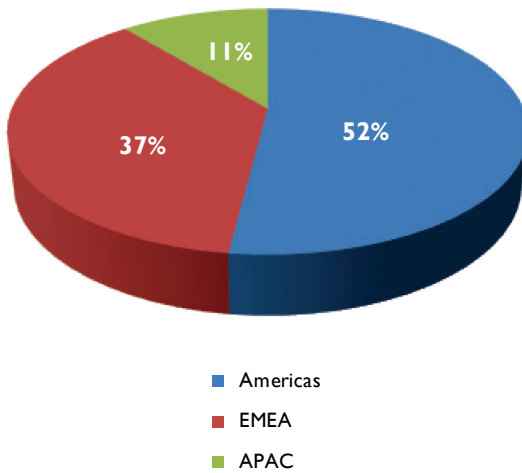
In November, Gardner Denver acquired DV Systems Inc. of Ontario, Canada. DV Systems manufactures rotary screw and piston compressors and aftermarket parts, including 5 to 200 HP air compressors used across a variety of industries such as automotive, industrial, wood-working, pharmaceutical, agricultural, and food and beverage.

Gardner Denver is a global provider of flow control and compression equipment and associated aftermarket parts, consumables and services for end markets within the industrial, energy and medical industries. The company offers a broad range of compressor, pump, vacuum and blower products and services. With 6,700 employees worldwide, it operates 39 manufacturing facilities and more than 30 service and repair centers across six continents.

Gardner Denver Revenue by Segment⁽¹⁾
FY 2018



Gardner Denver Revenue by Geography⁽¹⁾
Q3 2018 LTM



(1) Source: Gardner Denver Holdings 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: 4Q 2018⁽¹⁾

| Announced Date | Target | Acquirer(s) |
|----------------|-------------------------------------------|---------------------------------------------|
| 12/19/2018 | Hydraulik Nord Fluidtechnik GmbH & Co. KG | Danfoss Power Solutions Inc. |
| 12/12/2018 | Advanced Engineering Valves | Emerson |
| 11/13/2018 | Dakota Fluid Power Inc. | SBP Holding LP |
| 11/2/2018 | Bolland y Cia. SA | PECOM Servicios Energia SA |
| 11/1/2018 | Nippon Oil Pump Co., Ltd. | CITIC Capital Partners |
| 10/8/2018 | VAG GmbH | AURELIUS Equity Opportunities SE & Co. KGaA |

TABLE III: SELECTED PUMP M&A TRANSACTIONS: 4Q 2018⁽¹⁾

| Announced Date | Target | Acquirer(s) |
|----------------|----------------------------------------|-------------------------------|
| 12/13/2018 | MP Pumps, Inc. | Gardner Denver Holdings, Inc. |
| 12/5/2018 | JEC Ltd. | Verder Holding BV |
| 11/13/2018 | Dakota Fluid Power, Inc. | SBP Holding LP |
| 11/1/2018 | Nippon Oil Pump Co., Ltd. | CITIC Capital Partners |
| 10/31/2018 | Pumps Business of Wartsila Corporation | Solix Group |

TABLE IV: SELECTED FILTER M&A TRANSACTIONS: 4Q 2018⁽¹⁾

| Announced Date | Target | Acquirer(s) |
|----------------|----------------------------------------------------------|--------------------------|
| 12/10/2018 | BWA Water Additives UK Ltd. | Italmatch Chemicals SpA |
| 12/3/2018 | NovaTek AB | Flowrox Oy |
| 12/1/2018 | AMS Technologies Ltd. | Newater Technology, Inc. |
| 10/17/2018 | Luwa Air Engineering AG | Nederman MikroPul LLC |
| 10/3/2018 | Sofape Fabricante de Filtros Ltda | H.I.G. Capital LLC |
| 10/2/2018 | Atlas High Purity Solutions Business of Quench USA, Inc. | East Range Partners LLC |

(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 20.4% over the last 12 months, while the broader S&P 500 Index lost 6.2%.

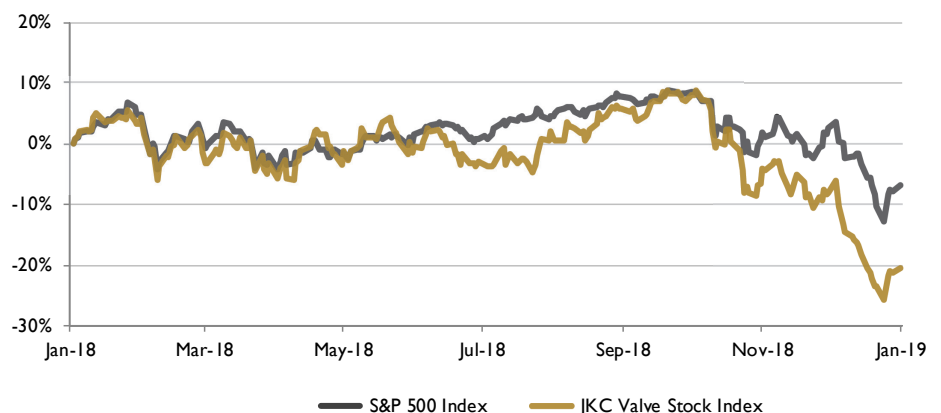
Through the first ten months of 2018, dry natural gas production in the U.S. was 11% higher compared to the same period in 2017, and the U.S. Energy Information Administration expects that production for the entire year will reach record levels. Driven by natural gas fired plants replacing coal fired plants in the electricity fuel mix, domestic consumption of natural gas increased in 2018 with consumption 17% higher than 2017 levels through the first ten months of the year. ⁽¹⁾

In addition, continued increases of U.S. natural gas exports by pipeline to Mexico and additional LNG export capacity that came online during the year resulted in the U.S. exporting more natural gas than it imported for the second year in a row. The average annual Henry Hub natural gas spot price increased to \$3.16 per MMBtu, \$0.15 above the 2017 average. Prices increased gradually much of the year, with significant price increases in October and November, before declining at the end of December.

On Wall Street the Dow Jones Industrial Average lost 8.7%, the S&P 500 Index fell 9.2%, while the NASDAQ Composite lost 9.5%, marking the worst ever December for the markets after the Great Depression. The Dow, S&P 500 and NASDAQ Composite fell 5.6%, 6.2% and 3.9%, respectively, in 2018. All three major stock indexes recorded their worst yearly performance since 2008. Investors were concerned about a number of issues including, tariffs, the Federal Reserve Bank's monetary policy, falling crude oil prices and an expected global economic slowdown, all contributing to significant market volatility throughout the year.

... continued increases of natural gas exports ... resulted in the U.S. exporting more natural gas than it imported for the second year in a row.

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 December 31, 2018, domestic and international Valve companies were trading at median total enterprise value / latest twelve months (“TEV/LTM”) EBITDA multiples of 10.4x and 8.7x, respectively, while both groups have median EBITDA margins of 17.1% and 12.5%, respectively. The median stock price as a percentage of the 52-week high for both groups is 70% and 65%, 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 12/31/2018 | % 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) | \$434 | \$62 | 14.2% | \$49.21 | 86.2% | \$1,433 | \$1,458 | 3.4x | 23.7x | 0.1x |
| CIRCOR International Inc. (CIR) | 1,080 | 110 | 10.2 | 21.30 | 38.8 | 423 | 1,154 | 1.1 | 10.4 | 6.6 |
| Crane Co. (CR) | 3,346 | 596 | 17.8 | 72.18 | 70.3 | 4,291 | 5,014 | 1.5 | 8.4 | 1.0 |
| Curtiss-Wright Corp. (CW) | 2,375 | 487 | 20.5 | 102.12 | 71.2 | 4,472 | 5,040 | 2.1 | 10.4 | 1.2 |
| Dover Corp. (DOV) | 6,992 | 1,190 | 17.0 | 70.95 | 65.1 | 10,382 | 13,454 | 1.9 | 11.3 | 2.3 |
| Emerson Electric Co. (EMR) | 17,739 | 3,641 | 20.5 | 59.75 | 75.0 | 37,413 | 41,123 | 2.3 | 11.3 | 1.3 |
| Flowserve Corp. (FLS) | 3,833 | 474 | 12.4 | 38.02 | 66.9 | 4,975 | 5,967 | 1.6 | 12.6 | 1.8 |
| General Electric Co. (GE) | 121,615 | 13,049 | 10.7 | 7.57 | 39.1 | 65,845 | 184,103 | 1.5 | 14.1 | 6.8 |
| Honeywell International Inc. (HON) | 41,802 | 9,011 | 21.6 | 132.12 | 78.8 | 97,807 | 104,589 | 2.5 | 11.6 | 0.6 |
| ITT Corporation (ITT) | 2,745 | 470 | 17.1 | 48.27 | 76.6 | 4,227 | 3,859 | 1.4 | 8.2 | (0.9) |
| Mueller Water Products, Inc. (MWA) | 931 | 162 | 17.5 | 9.10 | 70.9 | 1,438 | 1,539 | 1.7 | 9.5 | 1.5 |
| Parker Hannifin Corporation (PH) | 14,518 | 2,597 | 17.9 | 149.14 | 70.1 | 19,739 | 23,861 | 1.6 | 9.2 | 1.7 |
| Schlumberger Limited (SLB) | 32,815 | 6,836 | 20.8 | 36.08 | 44.9 | 49,964 | 64,899 | 2.0 | 9.5 | 2.2 |
| SPX Flow Inc. (FLOW) | 2,090 | 251 | 12.0 | 30.42 | 55.4 | 1,294 | 1,921 | 0.9 | 7.6 | 2.2 |
| TechnipFMC plc (FTI) | 12,553 | (367) | (2.9) | 19.58 | 55.9 | 8,818 | 7,360 | 0.6 | NM | NM |
| Watts Water Technologies, Inc. (WTS) | 1,565 | 240 | 15.4 | 64.53 | 69.1 | 2,200 | 2,422 | 1.5 | 10.1 | 0.6 |
| Xylem Inc. (XYL) | 5,207 | 958 | 18.4 | 66.72 | 80.9 | 11,991 | 14,132 | 2.7 | 14.8 | 2.1 |
| Median | | | 17.1% | | 70.1% | | | 1.6x | 10.4x | 1.6x |
| Mean | | | 15.4 | | 65.6 | | | 1.8 | 11.4 | 1.9 |

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

(2) Revenues and EBITDA are for the latest twelve months as of 12/31/18.

(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 12/31/2018 | % 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) | \$3,106 | \$496 | 16.0% | \$33.26 | 64.5% | \$3,678 | \$4,557 | 1.5x | 9.2x | 1.7x |
| Alfa Laval AB (ALFA) | 4,453 | 803 | 18.0 | 21.34 | 75.9 | 8,951 | 9,932 | 2.2 | 12.4 | 1.0 |
| Georg Fischer AG (FI-N) | 4,654 | 538 | 11.6 | 799.32 | 55.4 | 3,272 | 3,812 | 0.8 | 7.1 | 0.9 |
| Hisaka Works Ltd. (6247) | 265 | 29 | 10.9 | 7.49 | 65.6 | 224 | 90 | 0.3 | 3.1 | (4.4) |
| Hitachi Ltd. (6501) | 86,443 | 10,886 | 12.6 | 26.76 | 62.2 | 25,835 | 37,621 | 0.4 | 3.5 | 0.2 |
| IMI plc (IMI) | 2,316 | 416 | 18.0 | 12.03 | 65.0 | 3,262 | 3,834 | 1.7 | 9.2 | 1.4 |
| Kitz Corp. (6498) | 1,210 | 151 | 12.5 | 7.82 | 76.5 | 746 | 929 | 0.8 | 6.2 | 1.2 |
| KSB Aktiengesellschaft (KSB) | 2,487 | 115 | 4.6 | 316.01 | 54.3 | 549 | 575 | 0.2 | 5.0 | (1.4) |
| Kubota Corp. (6326) | 16,821 | 2,275 | 13.5 | 14.23 | 65.9 | 17,515 | 23,569 | 1.4 | 10.4 | 2.2 |
| Lupatech S.A. (LUPA3) | 30 | (43) | (144.7) | 0.47 | 38.6 | 7 | 63 | 2.1 | NM | (1.0) |
| Metso Corp. (METSO) | 3,427 | 425 | 12.4 | 26.22 | 71.0 | 3,933 | 4,109 | 1.2 | 9.7 | 0.5 |
| Okano Valve Manufacturing Co. (6492) | 71 | 5 | 6.5 | 20.15 | 76.3 | 35 | 34 | 0.5 | 7.4 | 0.3 |
| Saint Gobain (SGO) | 47,159 | 4,769 | 10.1 | 33.39 | 60.0 | 18,199 | 29,279 | 0.6 | 6.1 | 2.0 |
| SMC Corp. (6273) | 5,488 | 1,914 | 34.9 | 302.97 | 59.5 | 20,365 | 15,564 | 2.8 | 8.1 | (2.5) |
| Spirax-Sarco Engineering plc (SPX) | 1,425 | 362 | 25.4 | 79.53 | 74.2 | 5,852 | 6,328 | 4.4 | 17.5 | 1.4 |
| The Weir Group PLC (WEIR) | 3,180 | 478 | 15.0 | 16.54 | 55.6 | 4,284 | 5,000 | 1.6 | 10.5 | 1.5 |
| Velan, Inc. (VLN) | 345 | 10 | 2.9 | 6.49 | 43.2 | 140 | 113 | 0.3 | 11.3 | (2.8) |
| Median | | | 12.5% | | 64.5% | | | 1.2x | 8.7x | 0.9x |
| Mean | | | 4.7 | | 62.6 | | | 1.3 | 8.5 | 0.1 |

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

(2) Revenues and EBITDA are for the latest twelve months as of 12/31/18.

(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 25.7% over the last twelve months, while the S&P 500 Index lost 6.2% over the same time period.

The Institute for Supply Management's Purchasing Managers' Index (PMI) December PMI registered 54.1%, a decrease of 5.2 percentage points from the November reading of 59.3%, its largest one-month drop in a decade. The New Orders Index registered 51.1%, a decrease of 11 percentage points from the November reading of 62.1%. The Production Index registered 54.3%, a 6.3 percentage point decrease compared to the November reading of 60.6%. Only two sub-indices rose over the month with export orders growing 0.6% and customer inventories rising 0.2%.⁽¹⁾

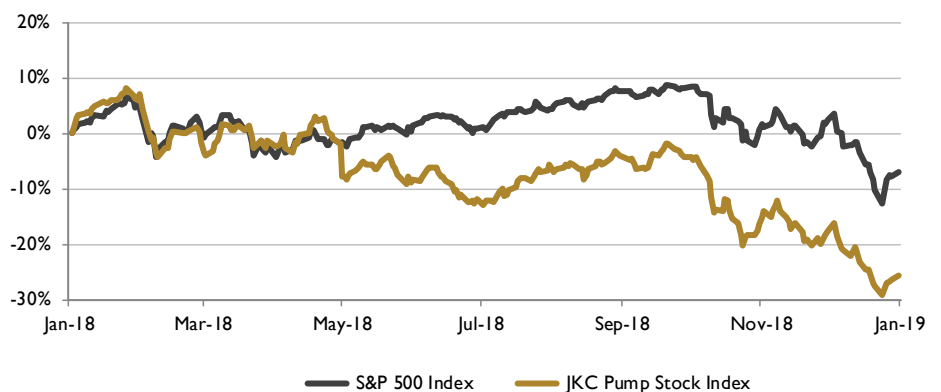
The U.S. economy gained 312,000 new jobs in December, the largest increase since February. Employment gains for November and October were also revised up by a combined 58,000 jobs. The U.S. added an average of 254,000 jobs a month in the fourth quarter of 2018, the largest increase since 2016. In December health care providers added 50,000 people, professional firms filled 43,000 positions, manufacturers added 32,000 jobs and construction firms added 32,000 to payrolls.

U.S. factory orders declined 0.6% in November, the second straight monthly decline. The weakness was felt in the non durable goods side as durable goods orders increased 0.7%, a recovery from the 4.3% decline in October. Shipments of non-defense capital goods, excluding aircraft, fell in November, the third decline in the past four months.

On Wall Street the Dow Jones Industrial Average lost 8.7%, the S&P 500 Index fell 9.2%, while the NASDAQ Composite lost 9.5%, marking the worst ever December for the markets after the Great Depression. The Dow, S&P 500 and NASDAQ Composite fell 5.6%, 6.2% and 3.9%, respectively, in 2018. All three major stock indexes recorded their worst yearly performance since 2008. Investors were concerned about a number of issues including, tariffs, the Federal Reserve Bank's monetary policy, falling crude oil prices and an expected global economic slowdown, all contributing to significant market volatility throughout the year.

All three major stock indexes recorded their worst yearly performance since 2008.

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 12.1x and 9.7x, respectively, as of December 31, 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 12/31/2018 | % 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% | \$3.10 | 19.8% | \$39 | \$106 | 0.2x | 6.4x | 3.8x |
| Baker Hughes Inc. (BHGE) | 22,877 | 2,690 | 11.8 | 21.50 | 56.9 | 11,038 | 36,389 | 1.6 | 13.5 | 1.3 |
| Colfax Corporation (CFX) | 3,667 | 458 | 12.5 | 20.90 | 49.7 | 2,449 | 3,522 | 1.0 | 7.7 | 2.1 |
| Crane Co. (CR) | 3,346 | 596 | 17.8 | 72.18 | 70.3 | 4,291 | 5,014 | 1.5 | 8.4 | 1.0 |
| Curtiss-Wright Corp. (CW) | 2,375 | 487 | 20.5 | 102.12 | 71.2 | 4,472 | 5,040 | 2.1 | 10.4 | 1.2 |
| Danaher Corp. (DHR) | 19,893 | 4,819 | 24.2 | 103.12 | 93.0 | 72,277 | 82,130 | 4.1 | 17.0 | 1.9 |
| Dover Corp. (DOV) | 6,992 | 1,190 | 17.0 | 70.95 | 65.1 | 10,382 | 13,454 | 1.9 | 11.3 | 2.3 |
| Energy Recovery, Inc. (ERII) | 75 | 12 | 15.7 | 6.73 | 63.1 | 362 | 277 | 3.7 | 23.7 | (7.3) |
| Flowserve Corp. (FLS) | 3,833 | 474 | 12.4 | 38.02 | 66.9 | 4,975 | 5,967 | 1.6 | 12.6 | 1.8 |
| Franklin Electric Co. Inc. (FELE) | 1,298 | 172 | 13.3 | 42.88 | 83.3 | 2,004 | 2,183 | 1.7 | 12.7 | 0.9 |
| General Electric Co. (GE) | 121,615 | 13,049 | 10.7 | 7.57 | 39.1 | 65,845 | 184,103 | 1.5 | 14.1 | 6.8 |
| Gorman-Rupp Co. (GRC) | 414 | 65 | 15.7 | 32.41 | 84.7 | 846 | 745 | 1.8 | 11.4 | (0.7) |
| Graco Inc. (GGG) | 1,653 | 476 | 28.8 | 41.85 | 84.2 | 6,965 | 7,098 | 4.3 | 14.9 | 0.3 |
| IDEX Corp. (IEX) | 2,484 | 659 | 26.5 | 126.26 | 80.0 | 9,685 | 10,042 | 4.0 | 15.2 | 0.6 |
| Illinois Tool Works Inc. (ITW) | 14,768 | 4,065 | 27.5 | 126.69 | 70.7 | 42,036 | 47,855 | 3.2 | 11.8 | 1.4 |
| Ingersoll-Rand Co. Ltd. (IR) | 15,668 | 2,325 | 14.8 | 91.23 | 85.2 | 22,411 | 25,514 | 1.6 | 11.0 | 1.4 |
| ITT Corporation (ITT) | 2,745 | 470 | 17.1 | 48.27 | 76.6 | 4,227 | 3,859 | 1.4 | 8.2 | (0.9) |
| National Oilwell Varco, Incorporated (NOV) | 8,453 | 898 | 10.6 | 25.70 | 52.4 | 9,853 | 11,344 | 1.3 | 12.6 | 1.4 |
| Pentair, Inc. (PNR) | 2,965 | 562 | 19.0 | 37.78 | 50.5 | 6,559 | 7,293 | 2.5 | 13.0 | 1.3 |
| Roper Technologies Inc. (ROP) | 5,191 | 1,763 | 34.0 | 266.52 | 85.2 | 27,566 | 32,419 | 6.2 | 18.4 | 2.6 |
| Schlumberger Limited (SLB) | 32,815 | 6,836 | 20.8 | 36.08 | 44.9 | 49,964 | 64,899 | 2.0 | 9.5 | 2.2 |
| SPX Flow Inc. (FLOW) | 2,090 | 251 | 12.0 | 30.42 | 55.4 | 1,294 | 1,921 | 0.9 | 7.6 | 2.2 |
| Standex International Corp. (SXI) | 882 | 130 | 14.7 | 67.18 | 58.8 | 862 | 1,052 | 1.2 | 8.1 | 1.5 |
| United Technologies Corp. (UTX) | 66,501 | 11,256 | 16.9 | 106.48 | 73.9 | 91,933 | 120,346 | 1.8 | 10.7 | 3.5 |
| Weatherford International Ltd. (WFT) | 5,744 | 666 | 11.6 | 0.56 | 12.7 | 560 | 8,234 | 1.4 | 12.4 | 11.1 |
| Xylem Inc. (XYL) | 5,207 | 958 | 18.4 | 66.72 | 80.9 | 11,991 | 14,132 | 2.7 | 14.8 | 2.1 |
| Median | | | 16.3% | | 68.6% | | | 1.7x | 12.1x | 1.5x |
| Mean | | | 17.2 | | 64.4 | | | 2.2 | 12.2 | 1.8 |

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

(2) Revenues and EBITDA are for the latest twelve months as of 12/31/18.

(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 12/31/2018 | % 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) | \$4,453 | \$803 | 18.0% | \$21.34 | 75.9% | \$8,951 | \$9,932 | 2.2x | 12.4x | 1.0x |
| Andritz AG (ANDR) | 6,812 | 436 | 6.4 | 45.94 | 75.0 | 4,639 | 4,264 | 0.6 | 9.8 | (0.9) |
| DMW Corp. (6365) | 160 | 19 | 11.9 | 19.40 | 85.2 | 84 | 6 | 0.0 | 0.3 | (3.5) |
| Ebara Corp. (6361) | 5,015 | 516 | 10.3 | 22.52 | 52.1 | 2,292 | 1,970 | 0.4 | 3.8 | (0.6) |
| FLSmidth & Co. A/S (FLS) | 2,798 | 253 | 9.0 | 44.96 | 65.4 | 2,241 | 2,541 | 0.9 | 10.0 | 1.2 |
| Gevelot SA (ALGEV) | 104 | 28 | 26.9 | 204.95 | 82.9 | 158 | (29) | NM | NM | 0.5 |
| GUD Holdings Ltd. (GUD) | 280 | 61 | 21.8 | 7.92 | 72.3 | 685 | 751 | 2.7 | 12.3 | 1.7 |
| Hyundai Heavy Industries Co. Ltd. (A009540) | 11,560 | (198) | (1.7) | 115.43 | 81.3 | 8,163 | 9,479 | 0.8 | NM | NM |
| John Wood Group plc (WVG) | 8,081 | 435 | 5.4 | 6.45 | 63.2 | 4,339 | 5,882 | 0.7 | 13.5 | 3.7 |
| Kirloskar Brothers Ltd. (500241) | 427 | 23 | 5.4 | 2.19 | 35.3 | 174 | 212 | 0.5 | 9.2 | 0.0 |
| KSB Aktiengesellschaft (KSB) | 2,487 | 115 | 4.6 | 316.01 | 54.3 | 549 | 575 | 0.2 | 5.0 | (1.4) |
| Kubota Corp. (6326) | 16,821 | 2,275 | 13.5 | 14.23 | 65.9 | 17,515 | 23,569 | 1.4 | 10.4 | 2.2 |
| Metso Corp. (METSO) | 3,427 | 425 | 12.4 | 26.22 | 71.0 | 3,933 | 4,109 | 1.2 | 9.7 | 0.5 |
| Nikkiso Co. Ltd. (6376) | 1,440 | 157 | 10.9 | 8.41 | 59.3 | 599 | 1,414 | 1.0 | 9.0 | 5.1 |
| Pfeiffer Vacuum Technology AG (PFV) | 742 | 118 | 15.9 | 124.91 | 65.9 | 1,233 | 1,198 | 1.6 | 10.2 | (0.3) |
| SKF AB (SKF B) | 9,452 | 1,371 | 14.5 | 15.13 | 66.8 | 6,887 | 8,168 | 0.9 | 6.0 | 0.5 |
| Spirax-Sarco Engineering plc (SPX) | 1,425 | 362 | 25.4 | 79.53 | 74.2 | 5,852 | 6,328 | 4.4 | 17.5 | 1.4 |
| Sulzer, Ltd. (SUN) | 3,277 | 332 | 10.1 | 79.32 | 55.8 | 2,701 | 3,254 | 1.0 | 9.8 | 0.7 |
| Teikoku Electric Mfg.Co.,Ltd. (6333) | 201 | 35 | 17.6 | 11.74 | 71.8 | 232 | 153 | 0.8 | 4.3 | (2.2) |
| The Weir Group PLC (WEIR) | 3,180 | 478 | 15.0 | 16.54 | 55.6 | 4,284 | 5,000 | 1.6 | 10.5 | 1.5 |
| Torishima Pump Manufacturing Co. Ltd. (6363) | 450 | 32 | 7.2 | 8.49 | 76.4 | 231 | 237 | 0.5 | 7.3 | 0.8 |
| Tsurumi Manufacturing Co. Ltd. (6351) | 377 | 49 | 13.0 | 17.55 | 86.7 | 439 | 312 | 0.8 | 6.4 | (2.6) |
| Median | | | 12.1% | | 68.9% | | | 0.9x | 9.7x | 0.5x |
| Mean | | | 12.4 | | 67.8 | | | 1.2 | 8.9 | 0.4 |

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

(2) Revenues and EBITDA are for the latest twelve months as of 12/31/18.

(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 down 20.1% over the last twelve months, while the S&P 500 Index lost 6.2%.

Contracts for new, single-family home sales increased almost 17% to a 657,000 seasonally adjusted annual rate in November according to estimates from the Census Bureau. On a year-to-date basis, new single-family home sales, despite a second half slowdown, were running 2.7% higher than the total for 2017 through November. Total U.S. existing home sales decreased 6.4% in December after two consecutive months of increases. Compared to a year ago, sales decreased 10.3% in December, the lowest level since November 2015. First-time buyers declined slightly to 32% from 33% in November, but remained unchanged from a year ago.⁽¹⁾

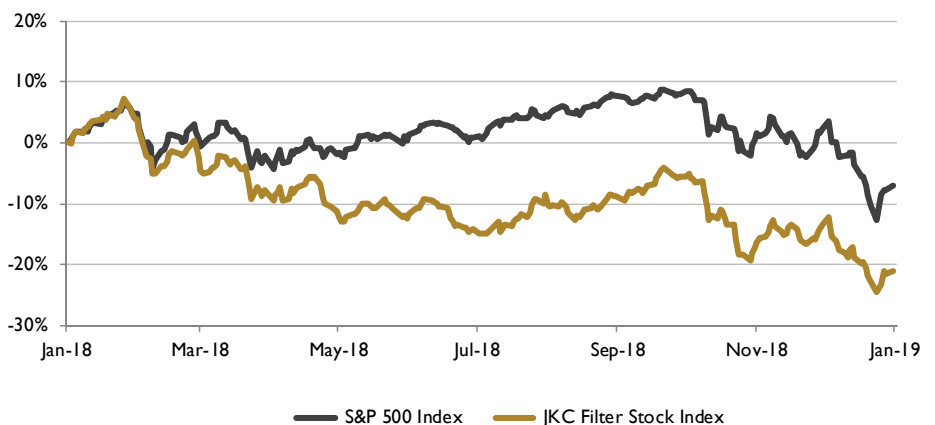
Contracts for new, single-family home sales increased almost 17% to a 657,000 seasonally adjusted annual rate in November.

U.S. auto sales increased 2.2% in December, capping a year that saw overall volume rise 0.6%. Overall, light-truck sales rose 6.9% for the month and 7.7% in 2018, while car deliveries slid 8.2% in December and 13% for the year, marking the fifth straight annual decline in car volume. U.S. sales at FCA US, American Honda and Nissan Motor Co. rose during December, while Ford Motor Co., General Motors Co. and Toyota Motor Corp. posted declines.

FCA US sales rose 14% for the month, driven by gains of 10% at Jeep, 37% at Ram and 17% at Dodge. For the year, Ford sales dropped 3.5% behind an 18% decline in car deliveries. GM's U.S. sales dipped an estimated 3.7% last month and fell 1.6% during the year, with every brand posting lower volume.

On Wall Street the Dow Jones Industrial Average lost 8.7%, the S&P 500 Index fell 9.2%, while the NASDAQ Composite lost 9.5%, marking the worst ever December for the markets after the Great Depression. The Dow, S&P 500 and NASDAQ Composite fell 5.6%, 6.2% and 3.9%, respectively, in 2018. All three major stock indexes recorded their worst yearly performance since 2008. Investors were concerned about a number of issues including, tariffs, the Federal Reserve Bank's monetary policy, falling crude oil prices and an expected global economic slowdown, all contributing to significant market volatility throughout 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 December 31, 2018, domestic and international Filter companies (listed in Table IX and Table X, respectively) were trading at medians of 11.6x and 9.7x, respectively, of TEV/LTM EBITDA with median LTM EBITDA margins of 17.9% and 11.9%, 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 12/31/2018 | % 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) | \$32,765 | \$8,358 | 25.5% | \$190.54 | 73.3% | \$110,949 | \$122,351 | 3.7x | 14.6x | 1.4x |
| Cantel Medical Corp. (CMD) | 885 | 164 | 18.6 | 74.45 | 56.9 | 3,106 | 3,237 | 3.7 | 19.7 | 0.8 |
| CECO Environmental Corp. (CECE) | 317 | 24 | 7.5 | 6.75 | 73.5 | 236 | 288 | 0.9 | 12.1 | 2.2 |
| Corning Inc. (GLW) | 11,290 | 2,886 | 25.6 | 30.21 | 82.6 | 24,180 | 29,974 | 2.7 | 10.4 | 1.3 |
| Crane Co. (CR) | 3,346 | 596 | 17.8 | 72.18 | 70.3 | 4,291 | 5,014 | 1.5 | 8.4 | 1.0 |
| Cummins Inc. (CMI) | 23,771 | 3,472 | 14.6 | 133.64 | 68.8 | 21,390 | 23,317 | 1.0 | 6.7 | 0.3 |
| Donaldson Company Inc. (DCI) | 2,791 | 466 | 16.7 | 43.39 | 73.0 | 5,549 | 6,072 | 2.2 | 13.0 | 1.1 |
| Eaton Corporation (ETN) | 21,609 | 3,874 | 17.9 | 68.66 | 76.4 | 29,757 | 36,594 | 1.7 | 9.4 | 1.8 |
| Entegris, Inc. (ENTG) | 1,550 | 436 | 28.1 | 27.90 | 70.5 | 3,942 | 4,298 | 2.8 | 9.9 | 1.0 |
| ESCO Technologies Inc. (ESE) | 781 | 141 | 18.1 | 65.95 | 92.3 | 1,709 | 1,917 | 2.5 | 13.6 | 1.3 |
| General Electric Co. (GE) | 121,615 | 13,049 | 10.7 | 7.57 | 39.1 | 65,845 | 184,103 | 1.5 | 14.1 | 6.8 |
| Honeywell International Inc. (HON) | 41,802 | 9,011 | 21.6 | 132.12 | 78.8 | 97,807 | 104,589 | 2.5 | 11.6 | 0.6 |
| Illinois Tool Works Inc. (ITW) | 14,768 | 4,065 | 27.5 | 126.69 | 70.7 | 42,036 | 47,855 | 3.2 | 11.8 | 1.4 |
| Lydall Inc. (LDL) | 754 | 91 | 12.0 | 20.31 | 39.2 | 354 | 647 | 0.9 | 7.1 | 3.2 |
| Parker Hannifin Corporation (PH) | 14,518 | 2,597 | 17.9 | 149.14 | 70.1 | 19,739 | 23,861 | 1.6 | 9.2 | 1.7 |
| Pentair, Inc. (PNR) | 2,965 | 562 | 19.0 | 37.78 | 50.5 | 6,559 | 7,293 | 2.5 | 13.0 | 1.3 |
| Tenneco Inc. (TEN) | 9,874 | 856 | 8.7 | 27.39 | 41.8 | 2,215 | 3,623 | 0.4 | 4.2 | 1.6 |
| Watts Water Technologies, Inc. (WTS) | 1,565 | 240 | 15.4 | 64.53 | 69.1 | 2,200 | 2,422 | 1.5 | 10.1 | 0.6 |
| Xylem Inc. (XYL) | 5,207 | 958 | 18.4 | 66.72 | 80.9 | 11,991 | 14,132 | 2.7 | 14.8 | 2.1 |
| Median | | | 17.9% | | 70.5% | | | 2.2x | 11.6x | 1.3x |
| Mean | | | 18.0 | | 67.3 | | | 2.1 | 11.2 | 1.7 |

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

(2) Revenues and EBITDA are for the latest twelve months as of 12/31/18.

(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 12/31/2018 | % 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) | \$2,602 | \$270 | 10.4% | \$13.88 | 60.3% | \$1,600 | \$2,134 | 0.8x | 7.9x | 4.3x |
| Alfa Laval AB (ALFA) | 4,453 | 803 | 18.0 | 21.34 | 75.9 | 8,951 | 9,932 | 2.2 | 12.4 | 1.0 |
| Amiad Filtration Systems Ltd (AFS) | 109 | 7 | 6.7 | 2.88 | 81.9 | 65 | 78 | 0.7 | 10.6 | 1.4 |
| Andritz AG (ANDR) | 6,812 | 436 | 6.4 | 45.94 | 75.0 | 4,639 | 4,264 | 0.6 | 9.8 | (0.9) |
| Asahi Kasei Corp. (3407) | 19,313 | 3,024 | 15.7 | 10.30 | 64.0 | 14,379 | 17,069 | 0.9 | 5.6 | 1.0 |
| Daikin Industries Ltd. (6367) | 22,012 | 3,345 | 15.2 | 106.59 | 74.6 | 31,177 | 32,300 | 1.5 | 9.7 | 0.3 |
| Denso Corp. (6902) | 48,943 | 5,834 | 11.9 | 44.60 | 67.8 | 34,553 | 34,894 | 0.7 | 6.0 | (0.3) |
| Faurecia SA (EO) | 23,617 | 1,941 | 8.2 | 37.86 | 43.0 | 5,193 | 6,146 | 0.3 | 3.2 | 0.3 |
| FLSmidth & Co. A/S (FLS) | 2,798 | 253 | 9.0 | 44.96 | 65.4 | 2,241 | 2,541 | 0.9 | 10.0 | 1.2 |
| GEA Group AG (GIA) | 5,481 | 436 | 8.0 | 25.86 | 54.3 | 4,668 | 4,793 | 0.9 | 11.0 | 0.3 |
| GUD Holdings Ltd. (GUD) | 280 | 61 | 21.8 | 7.92 | 72.3 | 685 | 751 | 2.7 | 12.3 | 1.7 |
| Ibiden Co., Ltd. (4062) | 2,759 | 370 | 13.4 | 14.11 | 82.4 | 1,971 | 1,626 | 0.6 | 4.4 | (0.9) |
| Johnson Matthey plc (JMAT) | 18,802 | 878 | 4.7 | 35.67 | 72.3 | 6,848 | 8,176 | 0.4 | 9.3 | 1.5 |
| NGK Insulators Ltd. (5333) | 4,188 | 959 | 22.9 | 13.59 | 64.7 | 4,373 | 4,759 | 1.1 | 5.0 | 0.6 |
| Nitto Denko Corp. (6988) | 7,581 | 1,406 | 18.5 | 50.52 | 51.9 | 7,923 | 5,290 | 0.7 | 3.8 | (1.8) |
| Porvair plc (PRV) | 154 | 20 | 12.9 | 5.28 | 73.2 | 242 | 239 | 1.6 | 12.0 | (0.4) |
| Sartorius AG (SRT) | 1,738 | 446 | 25.7 | 107.63 | 67.4 | 7,943 | 9,230 | 5.3 | 20.7 | 2.4 |
| Siemens AG (SIE) | 95,081 | 10,459 | 11.0 | 111.90 | 77.8 | 90,512 | 114,784 | 1.2 | 11.0 | 2.5 |
| Toray Industries Inc. (3402) | 21,400 | 2,501 | 11.7 | 7.04 | 67.9 | 11,257 | 19,591 | 0.9 | 7.8 | 3.0 |
| Median | | | 11.9% | | 67.9% | | | 0.9x | 9.7x | 1.0x |
| Mean | | | 13.3 | | 68.0 | | | 1.3 | 9.1 | 0.9 |

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

(2) Revenues and EBITDA are for the latest twelve months as of 12/31/18.

(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.

Valuation Trends over Time

Quarterly median TEV/LTM EBITDA valuation multiples have generally decreased 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⁾

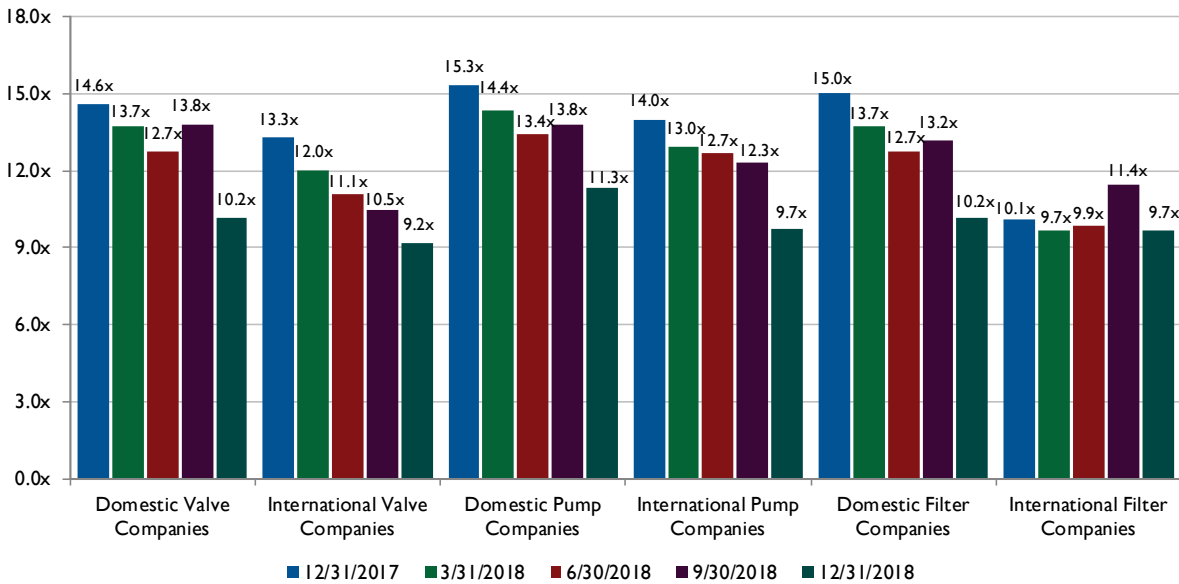
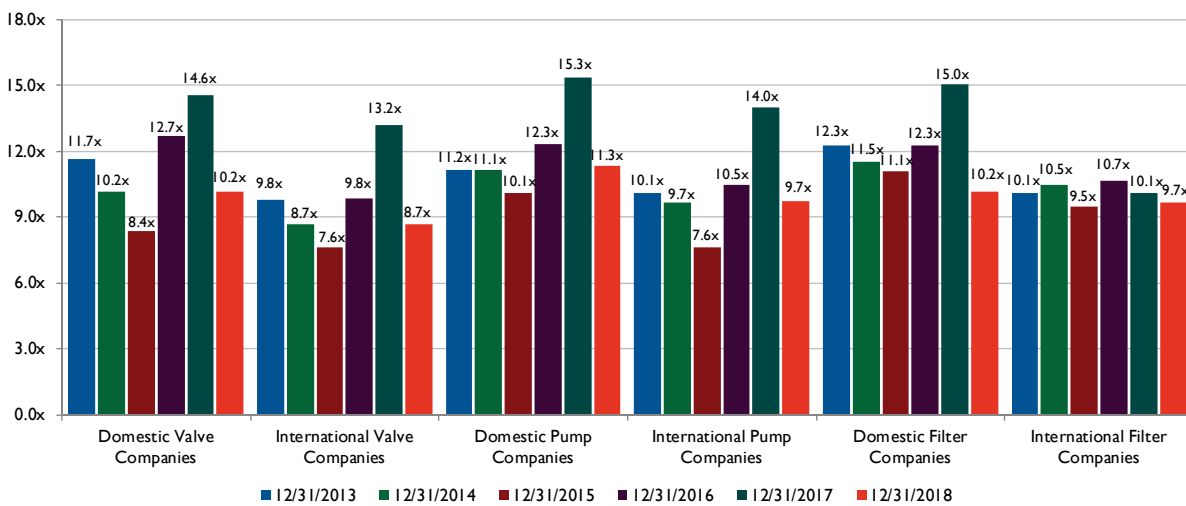


CHART V: ANNUAL MEDIAN TEV/LTM EBITDA VALUATION MULTIPLES⁽¹⁾



(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⁾

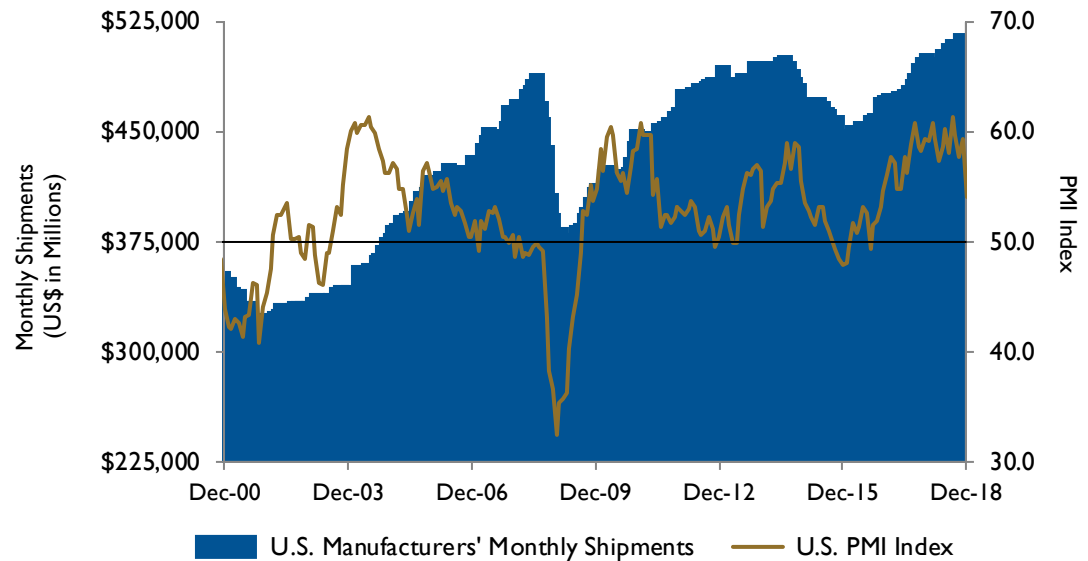
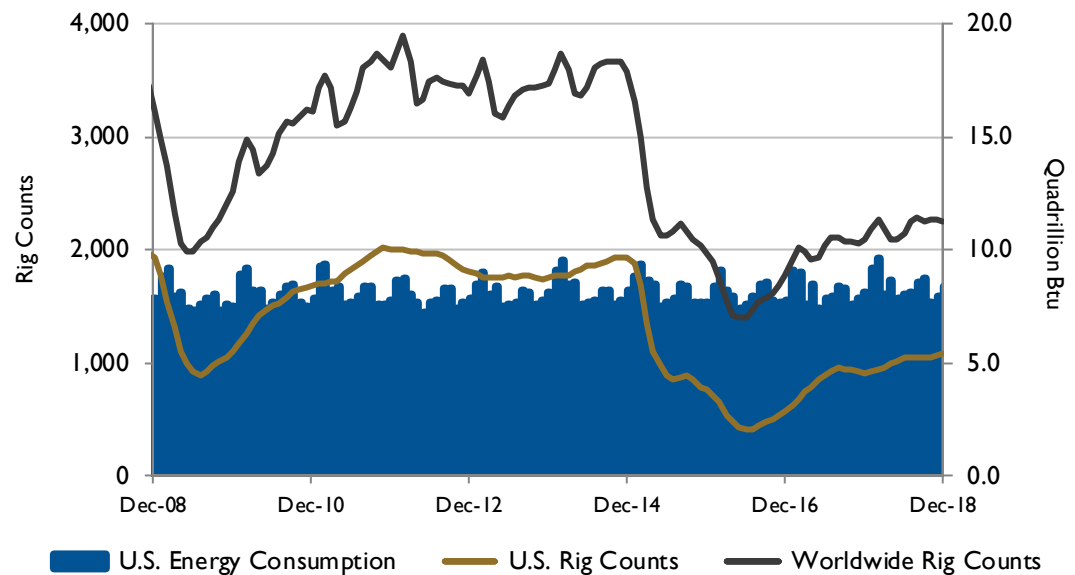


CHART VII: U.S. ENERGY CONSUMPTION⁽⁴⁾ AND RIG COUNTS⁽⁵⁾



(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⁾

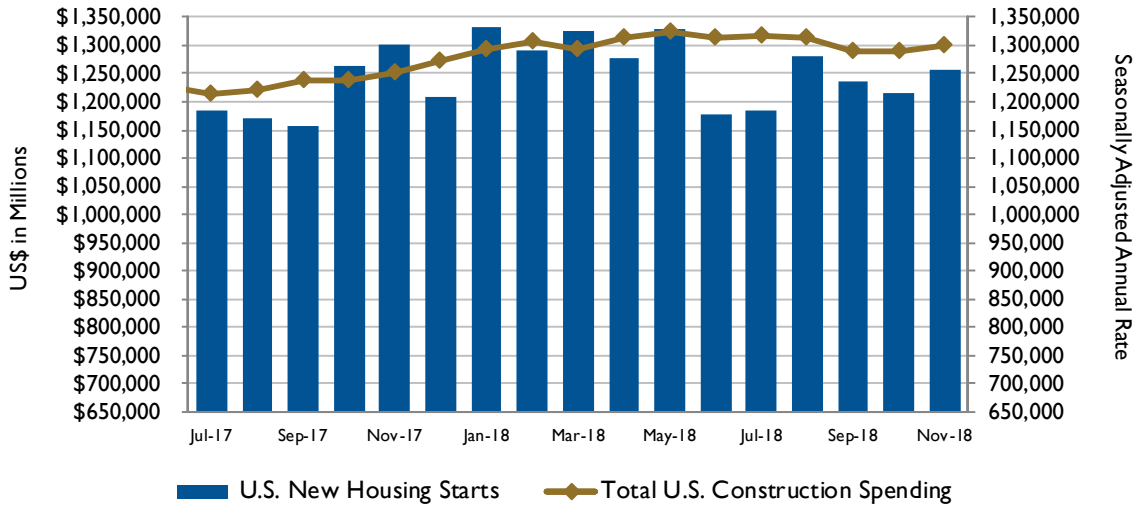
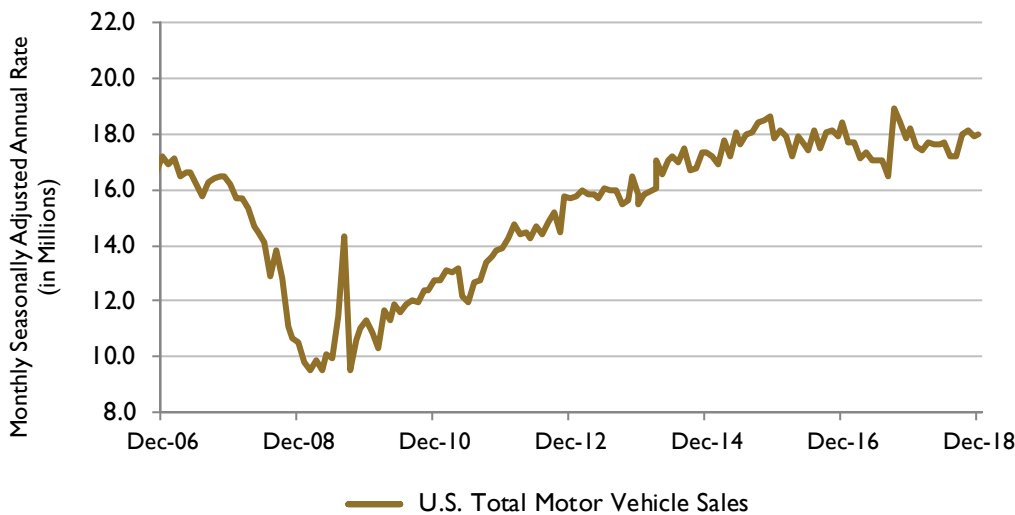


CHART IX: U.S. MOTOR VEHICLE SALES⁽³⁾



(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

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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