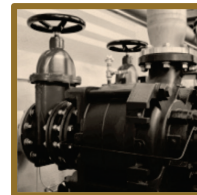


# FLOW CONTROL

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# Industry In-Sight™

THIRD QUARTER 2020



**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](http://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](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



### *Strong Interest in Valve Company Neles*

In July, Swedish engineering firm Alfa Laval AB agreed to buy Neles Oyj in a transaction that valued the Finnish valve maker at roughly \$2 billion. In the tender offer, Neles' shareholders were offered a cash consideration of EUR 11.50 for each share. This offer price represents a premium of 32.8% compared to the closing price of Neles' shares on the last trading day before the announcement of the tender offer. The Neles' Board of Directors and its second largest shareholder, Cevian Capital Partners Limited who holds approximately 10.9% of Neles, have voiced their acceptance of the offer.

Both companies operate in the valve market, serving parallel end markets with different product specifications. Alfa Laval believes the proposed acquisition offers a strong industrial strategy as the businesses complement each other with little overlapping operations. Moreover, as part of the Alfa Laval Group, Neles would benefit from their global service network, warehouse and distribution system, as well as further acquisition growth.

Formerly known as Metso Flow Control, Neles became a separately listed independent company on July 1st when its parent Metso Group completed its demerger plan to combine its larger minerals technology unit, Metso Minerals, with Outotec Group. Metso's valves business remained with the company, which was renamed Neles.

In September, Valmet Oyj, Neles' largest shareholder with a 29.5% stake, announced it wanted to start talks with Neles over a deal that it said would create a strong platform for further business growth, "especially in automation systems and valves". Specific terms of the merger were not specified in the announcement. The merger would create a global leader with over 16,000 employees and over EUR 4 billion in net sales. In June, Valmet announced it acquired 14.88% of Neles from Solidium Oy and has gradually increased its ownership to 29.5%.

On October 12, the Neles' Board announced there were no ongoing discussions with Valmet and repeated the recommendation for Alfa Laval's offer.

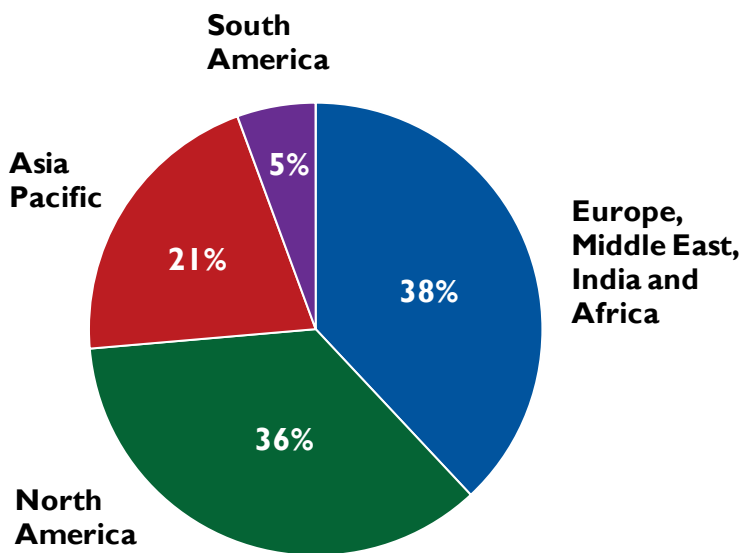
Based in Helsinki, Finland, Neles provides control, on-off, emergency shutdown, butterfly, ball, segment, eccentric plug, globe, and tank car valves; valve controls and actuators; accessories; intelligent devices and software products. Their customers operate in oil and gas refining, pulp and paper, bioproducts, chemicals and other process industries. Further, the company provides flow control maintenance, performance and training services. Neles has approximately 2,800 employees and had sales of \$770 million in 2019.

Alfa Laval, headquartered in Lund, Sweden, provides heat transfer, separation and fluid handling products and solutions worldwide. The company serves five end markets, including energy, food and water, marine,

greenhouse and operations. With annual sales of \$4.8 billion, the company operates 39 major production units spread across three continents and employs more than 17,000 people.

In addition to the energy production, pulping and fiber, paper and board, tissue and biofuels industries, Valmet develops and supplies process technologies, automation and services to paper converting, mining and chemical industries, food and biotechnology and pharmaceuticals industries, as well as commercial laundries. The company also provides automation for liquefied natural gas and biogas infrastructure, wastewater as well as oil and gas industries and has established a position in the marine industry. Valmat has 13,000 professionals around the world and \$4.2 billion in annual sales. The company is headquartered in Espoo, Finland.

**Neles 2019 Revenue by Region<sup>(1)</sup>**



(1) Neles.

# 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 2020<sup>(1)</sup>**

Announced Date	Target	Acquirer(s)
9/29/2020	Neles Oyj	Valmet Oyj
7/13/2020	Neles Oyj	Alfa Laval AB
7/3/2020	Australian Valve Group Pty Ltd.	Watts Water Technologies (Australia) Pty Ltd.

**TABLE III: SELECTED PUMP M&A TRANSACTIONS: 3Q 2020<sup>(1)</sup>**

Announced Date	Target	Acquirer(s)
9/1/2020	Albin Pump SAS	Ingersoll Rand Inc.
8/20/2020	ValTek Industries, Inc.	Serva Group LLC

**TABLE IV: SELECTED FILTER M&A TRANSACTIONS: 3Q 2020<sup>(1)</sup>**

Announced Date	Target	Acquirer(s)
9/30/2020	Nanopareil, LLC	Gamma Biosciences
9/24/2020	Ahlstrom-Munksjö Oyj	Ahlström Capital Oy; Bain Capital Private Equity (Europe), LLP; Viknum AB
9/16/2020	Enkrott - Gestão e Tratamento de Águas, SA	Bondalti Capital, SA
9/9/2020	Ozone Tech Systems OTS AB	Mellifiq AB
8/3/2020	Substantially All Assets of Water Now, Inc.	RigMax H20, LLC
7/31/2020	Champion Laboratories, Inc.	First Brands Group, LLC
7/17/2020	Hydraulic Filtration Business of Bosch Rexroth AG	Hengst SE
7/15/2020	Assets of PolyCera, Inc.	PSP US, 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 down 17.3% over the last 12 months, while the broader S&P 500 Index was up 14.3%.

Despite a decline since the record monthly high of 3.7 million barrels per day (b/d) in February, U.S. crude oil exports averaged 3.2 million b/d in the first half of the year, up from 2.9 million b/d in the first half of 2019. U.S. crude oil exports to China drove part of this increase, increasing from 213,000 b/d in the first half of 2019 to 361,000 b/d in the first half of 2020. For the first six months of the year, U.S. crude oil exports to China were the second largest after Canada. In May and June, China surpassed all other destinations for U.S. crude oil exports.<sup>(1)</sup>

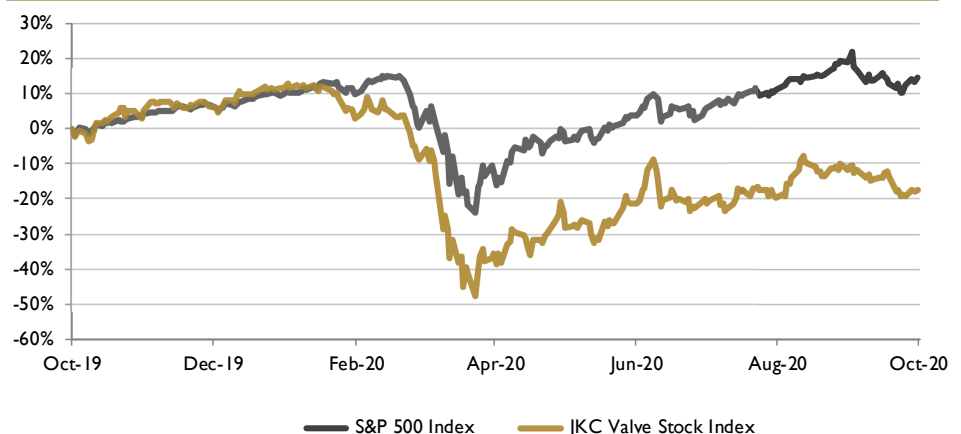
Greater exports of propane and other hydrocarbon gas liquids in the first half of 2020 more than offset declines in exports of transportation fuels such as gasoline, distillate fuel oil and jet fuel. During this time, the U.S. exported 5.4 million b/d of petroleum products, a slight increase of 1% over the first half of 2019.

Between January and July 2020, almost 5 billion cubic feet per day (Bcf/d) of new pipeline capacity entered service in the U.S., according to the U.S. Energy Information Administration. Several of these projects could increase deliverability to growing natural gas demand markets in North America. An estimated 8.7 Bcf/d of pipeline projects have been canceled in 2020.

On Wall Street, the Dow Jones Industrial Average, the S&P 500 Index and the NASDAQ Composite dropped 2.3%, 3.9% and 5.2%, respectively, in September. Market volatility was due to a spike in coronavirus cases in several countries of Europe and many states in the U.S., the upcoming U.S. Presidential election, conflicting news on the availability of a COVID-19 vaccine, and uncertainty regarding another round of fiscal stimulus. For the third quarter, the Dow, the S&P 500 and the NASDAQ surged 7.6%, 8.5% and 11.0%, respectively.

**U.S. crude oil exports averaged 3.2 million b/d in the first half of the year, up from 2.9 million b/d in the first half of 2019.**

**CHART I: 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 September 30, 2020, domestic and international Valve companies were trading at median total enterprise value / latest twelve months (“TEV/LTM”) EBITDA multiples of 12.2x and 10.9x, respectively, while both groups have median EBITDA margins of 19.0% and 13.5%, respectively. The median stock price as a percentage of the 52-week high for both groups is 82% and 86%, 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 9/30/2020	% 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)	\$421	\$92	22.0%	\$65.37	92.3%	\$1,903	\$1,830	4.3x	19.8x	(0.9x)
CIRCOR International Inc. (CIR)	808	97	12.0	27.35	58.5	547	1,009	1.2	10.4	4.8
Crane Co. (CR)	3,048	518	17.0	50.13	56.0	2,909	3,770	1.2	7.3	1.4
Curtiss-Wright Corp. (CW)	2,379	517	21.7	93.26	62.2	3,877	4,694	2.0	9.1	1.5
Dover Corp. (DOV)	6,679	1,258	18.8	108.34	90.1	15,598	18,455	2.8	14.7	2.2
Emerson Electric Co. (EMR)	16,785	3,345	19.9	65.57	83.7	39,184	44,514	2.7	13.3	1.2
Flowserve Corp. (FLS)	3,816	521	13.7	27.29	53.2	3,552	4,569	1.2	8.8	1.8
General Electric Co. (GE)	83,928	8,485	10.1	6.23	47.0	54,533	118,498	1.4	14.0	7.2
Honeywell International Inc. (HON)	33,233	7,874	23.7	164.61	89.4	115,521	123,469	3.7	15.7	1.0
ITT Corporation (ITT)	2,488	472	19.0	59.05	78.1	5,102	4,635	1.9	9.8	(1.2)
Mueller Water Products, Inc. (MWA)	964	191	19.8	10.39	81.7	1,640	1,945	2.0	10.2	1.3
Parker Hannifin Corporation (PH)	13,592	2,642	19.4	202.34	93.0	26,061	33,921	2.5	12.8	2.7
Schlumberger Limited (SLB)	26,297	6,599	25.1	15.56	37.8	21,599	35,792	1.4	5.4	2.1
SPX Flow Inc. (FLOW)	1,319	159	12.0	42.82	85.7	1,817	1,930	1.5	12.2	0.7
TechnipFMC plc (FTI)	13,351	1,739	13.0	6.31	26.6	2,836	3,444	0.3	2.0	0.2
Watts Water Technologies, Inc. (WTS)	1,506	234	15.5	100.15	87.5	3,373	3,488	2.3	14.9	0.3
Xylem Inc. (XYL)	4,874	944	19.4	84.12	94.2	15,138	16,870	3.5	17.9	1.6
<b>Median</b>			<b>19.0%</b>		<b>81.7%</b>			<b>2.0x</b>	<b>12.2x</b>	<b>1.4x</b>
<b>Mean</b>			<b>17.8</b>		<b>71.6</b>			<b>2.1</b>	<b>11.7</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 9/30/20.

(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 9/30/2020	% 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)	\$3,162	\$441	14.0%	\$36.19	71.5%	\$4,002	\$4,983	1.6x	11.3x	2.1x
Alfa Laval AB (ALFA)	5,143	991	19.3	22.19	76.3	9,309	10,377	2.0	10.5	0.8
Georg Fischer AG (FI-N)	3,651	281	7.7	1,045.45	92.8	4,280	4,770	1.3	17.0	1.6
Hisaka Works Ltd. (6247)	298	32	10.7	8.48	85.6	238	129	0.4	4.0	(4.1)
Hitachi Ltd. (6501)	78,969	12,221	15.5	33.59	75.5	32,479	41,950	0.5	3.4	1.1
IMI plc (IMI)	2,366	458	19.4	13.58	86.5	3,678	4,216	1.8	9.2	1.1
Kitz Corp. (6498)	1,185	135	11.4	5.67	73.8	508	705	0.6	5.2	1.2
KSB Aktiengesellschaft (KSB)	2,712	183	6.8	352.28	93.2	519	553	0.2	3.0	(0.9)
Kubota Corp. (6326)	17,383	2,278	13.1	17.80	95.7	21,541	28,644	1.6	12.6	2.9
Lupatech S.A. (LUPA3)	7	8	116.1	0.33	58.5	9	34	4.9	23.8	3.2
Okano Valve Manufacturing Co. (6492)	62	1	2.1	24.63	95.5	42	35	0.6	35.0	NM
Saint Gobain (SGO)	45,397	5,284	11.6	42.29	91.0	23,032	34,940	0.8	6.6	2.1
SMC Corp. (6273)	4,919	1,507	30.6	554.27	96.3	36,869	31,445	6.4	20.9	(3.7)
Spirax-Sarco Engineering plc (SPX)	1,579	409	25.9	143.09	98.3	10,539	11,010	7.0	26.9	1.1
The Weir Group PLC (WEIR)	3,139	494	15.7	16.20	79.4	4,202	5,725	1.8	11.6	2.9
Velan, Inc. (VLN)	378	34	9.0	3.96	59.5	85	70	0.2	2.1	(0.6)
<b>Median</b>			<b>13.5%</b>		<b>86.0%</b>			<b>1.4x</b>	<b>10.9x</b>	<b>1.1x</b>
<b>Mean</b>			<b>20.6</b>		<b>83.1</b>			<b>2.0</b>	<b>12.7</b>	<b>0.7</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/20. Due to the COVID-19 pandemic, many international companies have not yet reported 9/30/20 financials.

(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 2.8% over the last twelve months, while the S&P 500 Index was up 14.3% over the same time period.

The Institute for Supply Management's Purchasing Managers' Index (PMI) fell 0.6% to 55.4% in September. The new orders component fell to 60.2% from 67.6% in August, while the production subcomponent slipped only slightly to 61.0% from 63.3%. Among the six biggest manufacturing industries, food, beverage and tobacco products was the best-performing sector, with fabricated metal products and chemical products growing strongly. Computer and electronic products and transportation equipment expanded moderately.<sup>(1)</sup>

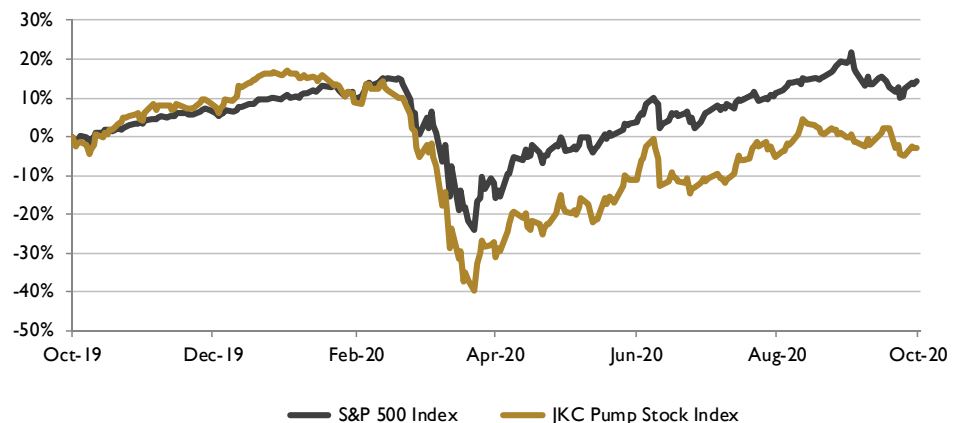
The U.S. added 661,000 new jobs in September and the unemployment rate fell to 7.9%. Bars and restaurants added the most jobs (200,000), followed by retail, health care and white-collar businesses. The U.S. has regained about 11.4 million jobs since the recovery started in May. The economy lost about 23 million jobs at the height of the pandemic.

U.S. real gross domestic product (GDP) jumped at an annualized rate of 33.1% in the third quarter relative to the second quarter. Real GDP growth was led by the 40.7% growth in personal consumption expenditures, which reflects the re-opening of the economy earlier this year. Personal spending on durable goods skyrocketed 82.2% while spending on non-durable goods rose 28.8%. Personal spending on services was up a respectable 38.4%, but that strong growth rate did not completely reverse the 41.8% collapse in spending on services that occurred in the second quarter.

On Wall Street, the Dow Jones Industrial Average, the S&P 500 Index and the NASDAQ Composite dropped 2.3%, 3.9% and 5.2%, respectively, in September. Market volatility was due to a spike in coronavirus cases in several countries of Europe and many states in the U.S., the upcoming U.S. Presidential election, conflicting news on the availability of a COVID-19 vaccine, and uncertainty regarding another round of fiscal stimulus. For the third quarter, the Dow, the S&P 500 and the NASDAQ surged 7.6%, 8.5% and 11.0%, respectively.

**U.S. real gross domestic product (GDP) jumped at an annualized rate of 33.1% in the third quarter ...**

**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 14.0x and 7.5x, respectively, as of September 30, 2020. 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 0.7x 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 9/30/2020	% 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)	\$339	\$31	9.0%	\$3.29	73.1%	\$61	\$109	0.3x	3.6x	0.6x
Baker Hughes Inc. (BKR)	21,558	2,530	11.7	13.29	51.1	8,723	18,602	0.9	7.4	1.4
Colfax Corporation (CFX)	3,172	560	17.6	31.36	79.8	3,713	6,108	1.9	10.9	4.2
Crane Co. (CR)	3,048	518	17.0	50.13	56.0	2,909	3,770	1.2	7.3	1.4
Curtiss-Wright Corp. (CW)	2,379	517	21.7	93.26	62.2	3,877	4,694	2.0	9.1	1.5
Danaher Corp. (DHR)	18,887	4,887	25.9	215.33	99.4	152,757	173,778	9.2	35.6	3.6
Dover Corp. (DOV)	6,679	1,258	18.8	108.34	90.1	15,598	18,455	2.8	14.7	2.2
Energy Recovery, Inc. (ERII)	112	38	34.2	8.20	74.1	457	378	3.4	9.9	(2.3)
Flowserve Corp. (FLS)	3,816	521	13.7	27.29	53.2	3,552	4,569	1.2	8.8	1.8
Franklin Electric Co. Inc. (FELE)	1,246	174	14.0	58.83	95.7	2,717	2,800	2.2	16.1	0.0
General Electric Co. (GE)	83,928	8,485	10.1	6.23	47.0	54,533	118,498	1.4	14.0	7.2
Gorman-Rupp Co. (GRC)	360	45	12.6	29.46	74.4	769	683	1.9	15.0	(2.1)
Graco Inc. (GGG)	1,592	460	28.9	61.35	98.9	10,228	10,246	6.4	22.3	(0.2)
IDEX Corp. (IEX)	2,343	646	27.6	182.41	96.9	13,774	14,183	6.1	22.0	0.4
Illinois Tool Works Inc. (ITW)	12,568	3,266	26.0	193.21	95.1	61,086	67,044	5.3	20.5	1.8
Ingersoll-Rand Co. Ltd. (IR)	4,005	660	16.5	35.60	91.4	14,847	17,767	4.4	26.9	4.1
ITT Corporation (ITT)	2,488	472	19.0	59.05	78.1	5,102	4,635	1.9	9.8	(1.2)
National Oilwell Varco, Incorporated (NOV)	7,044	136	1.9	9.06	35.1	3,518	4,925	0.7	36.2	7.9
Pentair, Inc. (PNR)	2,977	567	19.0	45.77	96.5	7,594	8,601	2.9	15.2	1.4
Roper Technologies Inc. (ROP)	5,417	1,937	35.8	395.11	86.7	41,372	45,368	8.4	23.4	4.9
Schlumberger Limited (SLB)	26,297	6,599	25.1	15.56	37.8	21,599	35,792	1.4	5.4	2.1
SPX Flow Inc. (FLOW)	1,319	159	12.0	42.82	85.7	1,817	1,930	1.5	12.2	0.7
Standex International Corp. (SXI)	600	109	18.2	59.20	72.5	733	864	1.4	7.9	1.4
Weatherford International Ltd. (WFT)	4,089	301	7.4	1.95	5.3	137	1,943	0.5	6.4	5.8
Xylem Inc. (XYL)	4,874	944	19.4	84.12	94.2	15,138	16,870	3.5	17.9	1.6
<b>Median</b>			<b>18.2%</b>		<b>78.1%</b>			<b>1.9x</b>	<b>14.0x</b>	<b>1.5x</b>
<b>Mean</b>			<b>18.5</b>		<b>73.2</b>			<b>2.9</b>	<b>15.1</b>	<b>2.0</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/20.

(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 9/30/2020	% 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)	\$5,143	\$991	19.3%	\$22.19	76.3%	\$9,309	\$10,377	2.0x	10.5x	0.8x
Andritz AG (ANDR)	7,978	601	7.5	30.95	61.5	3,091	3,257	0.4	5.4	0.1
DMW Corp. (6365)	193	22	11.7	29.72	99.5	126	14	0.1	0.6	(4.3)
Ebara Corp. (6361)	4,929	497	10.1	26.96	79.6	2,570	2,048	0.4	4.1	(1.1)
FLSmidth & Co. A/S (FLS)	3,018	235	7.8	28.60	64.4	1,434	1,799	0.6	7.6	1.3
Gevelot SA (ALGEV)	114	4	3.6	200.80	84.7	155	(17)	NM	NM	NM
GUD Holdings Ltd. (GUD)	314	69	21.8	8.16	88.9	709	869	2.8	12.7	2.2
Hyundai Heavy Industries Co. Ltd. (A009540)	13,618	706	5.2	71.03	62.2	5,023	8,095	0.6	11.5	2.6
John Wood Group plc (WG)	9,595	669	7.0	2.75	49.9	1,847	3,665	0.4	5.5	2.6
Kirloskar Brothers Ltd. (500241)	389	27	7.0	1.58	64.2	126	151	0.4	5.5	0.4
KSB Aktiengesellschaft (KSB)	2,712	183	6.8	352.28	93.2	519	553	0.2	3.0	(0.9)
Kubota Corp. (6326)	17,383	2,278	13.1	17.80	95.7	21,541	28,644	1.6	12.6	2.9
Nikkiso Co. Ltd. (6376)	1,533	198	12.9	10.11	72.1	720	1,724	1.1	8.7	5.0
Pfeiffer Vacuum Technology AG (PFV)	732	91	12.4	207.61	98.2	2,051	2,007	2.7	22.1	(0.6)
SKF AB (SKF B)	8,812	1,144	13.0	20.73	91.0	9,439	10,593	1.2	9.3	0.6
Spirax-Sarco Engineering plc (SPX)	1,579	409	25.9	143.09	98.3	10,539	11,010	7.0	26.9	1.1
Sulzer, Ltd. (SUN)	3,873	441	11.4	80.73	67.0	2,743	3,281	0.8	7.4	1.2
Teikoku Electric Mfg.Co.,Ltd. (6333)	215	43	20.0	10.30	67.6	203	114	0.5	2.6	(2.3)
The Weir Group PLC (WEIR)	3,139	494	15.7	16.20	79.4	4,202	5,725	1.8	11.6	2.9
Torishima Pump Manufacturing Co. Ltd. (6363)	455	34	7.4	7.74	76.3	207	157	0.3	4.6	(0.8)
Tsurumi Manufacturing Co. Ltd. (6351)	434	56	12.8	17.25	82.9	432	317	0.7	5.7	(2.3)
<b>Median</b>			<b>11.7%</b>		<b>79.4%</b>			<b>0.7x</b>	<b>7.5x</b>	<b>0.7x</b>
<b>Mean</b>			<b>12.0</b>		<b>78.7</b>			<b>1.3</b>	<b>8.9</b>	<b>0.6</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/20. Due to the COVID-19 pandemic, many international companies have not yet reported 9/30/20 financials.

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

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**Wall Street Filter Watch**

The JKC Filter Stock Index was up 8.3% over the last twelve months, while the S&P 500 Index was up 14.3%.

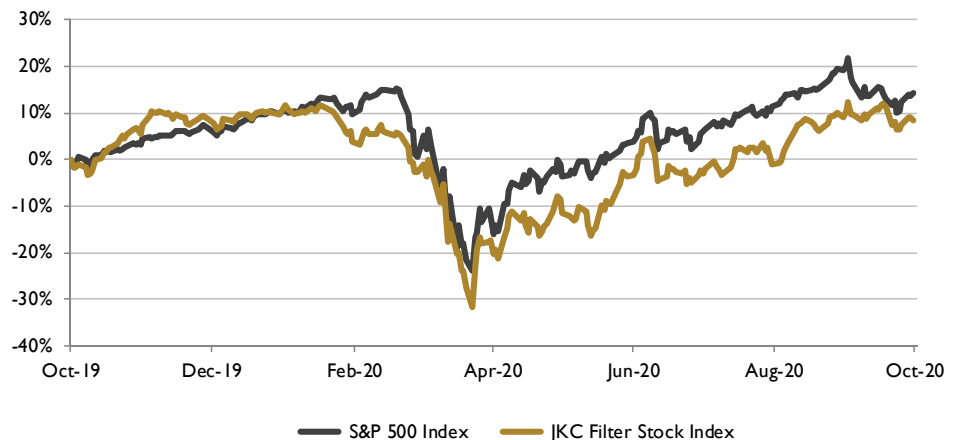
In September, overall housing starts rose 1.9% to a 1.415-million unit pace following a 6.7% drop the prior month. All of the shortfall was in multifamily units, which tumbled 16.3% in September following a 25.9% fall the prior month. Single-family homebuilding is steadily gaining momentum as starts rose for the fifth month in a row, climbing 8.5% in September. The South accounted for the bulk of the rise in single-family starts, rising 17.7%. New home sales fell 3.5% in September. Mortgage applications fell slightly, despite the persistence of low mortgage rates. Tighter mortgage underwriting might have imposed some limitations on the housing recovery.<sup>(1)</sup>

While sales in the quarter were down, the U.S. auto industry’s recovery gathered momentum in the third quarter, with strong demand for trucks and sport-utility vehicles driving the comeback. Hyundai Motor Co., which recently expanded its lineup to include popular full-size SUVs, increased its U.S. sales by 5.4% in September, compared with a year earlier, and fell only 1% in the third quarter. General Motors Co.’s third quarter U.S. sales fell nearly 10% from a year earlier. Fiat Chrysler Automobiles NV also reported a 10% drop in its third quarter U.S. sales. Toyota Motor Corp.’s third quarter U.S. sales were down nearly 11% over the year-earlier period, but posted a 16% gain in September, with SUVs such as the Rav4 and Highlander carrying the company’s performance. Honda Motor Co.’s third quarter sales fell 9.5%, but the auto maker’s September sales increased 12%.

On Wall Street, the Dow Jones Industrial Average, the S&P 500 Index and the NASDAQ Composite dropped 2.3%, 3.9% and 5.2%, respectively, in September. Market volatility was due to a spike in coronavirus cases in several countries of Europe and many states in the U.S., the upcoming U.S. Presidential election, conflicting news on the availability of a COVID-19 vaccine, and uncertainty regarding another round of fiscal stimulus. For the third quarter, the Dow, the S&P 500 and the NASDAQ surged 7.6%, 8.5% and 11.0%, respectively.

**While sales in the quarter were down, the U.S. auto industry’s recovery gathered momentum in the third quarter, with strong demand for trucks and sport-utility vehicles driving the comeback.**

**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 September 30, 2020, domestic and international Filter companies (listed in Table IX and Table X, respectively) were trading at medians of 14.1x and 10.4x, respectively, of TEV/LTM EBITDA with median LTM EBITDA margins of 18.0% and 11.5%, 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 9/30/2020	% 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)	\$31,712	\$9,091	28.7%	\$160.18	87.7%	\$92,267	\$109,476	3.5x	12.0x	1.7x
Cantel Medical Corp. (CMD)	1,016	169	16.6	43.94	55.3	1,835	2,688	2.6	15.9	5.0
CECO Environmental Corp. (CECE)	322	35	10.9	7.29	81.0	258	307	1.0	8.7	1.3
Corning Inc. (GLW)	10,770	2,248	20.9	32.41	95.7	24,689	33,414	3.1	14.9	2.8
Crane Co. (CR)	3,048	518	17.0	50.13	56.0	2,909	3,770	1.2	7.3	1.4
Cummins Inc. (CMI)	19,559	3,108	15.9	211.16	97.2	31,162	34,415	1.8	11.1	0.4
Donaldson Company Inc. (DCI)	2,582	465	18.0	46.42	79.6	5,868	6,349	2.5	13.7	1.0
Eaton Corporation (ETN)	18,409	2,887	15.7	102.03	96.2	40,822	49,134	2.7	17.0	2.7
Entegris, Inc. (ENTG)	1,769	537	30.4	74.34	98.9	10,022	10,725	6.1	20.0	1.3
ESCO Technologies Inc. (ESE)	825	156	18.9	80.56	75.2	2,098	2,195	2.7	14.1	0.6
General Electric Co. (GE)	83,928	8,485	10.1	6.23	47.0	54,533	118,498	1.4	14.0	7.2
Honeywell International Inc. (HON)	33,233	7,874	23.7	164.61	89.4	115,521	123,469	3.7	15.7	1.0
Illinois Tool Works Inc. (ITW)	12,568	3,266	26.0	193.21	95.1	61,086	67,044	5.3	20.5	1.8
Lydall Inc. (LDL)	747	49	6.6	16.54	64.9	294	511	0.7	10.4	3.8
Parker Hannifin Corporation (PH)	13,592	2,642	19.4	202.34	93.0	26,061	33,921	2.5	12.8	2.7
Pentair, Inc. (PNR)	2,977	567	19.0	45.77	96.5	7,594	8,601	2.9	15.2	1.4
Tenneco Inc. (TEN)	14,872	859	5.8	6.94	42.6	564	6,407	0.4	7.5	5.9
Watts Water Technologies, Inc. (WTS)	1,506	234	15.5	100.15	87.5	3,373	3,488	2.3	14.9	0.3
Xylem Inc. (XYL)	4,874	944	19.4	84.12	94.2	15,138	16,870	3.5	17.9	1.6
<b>Median</b>			<b>18.0%</b>		<b>87.7%</b>			<b>2.6x</b>	<b>14.1x</b>	<b>1.6x</b>
<b>Mean</b>			<b>17.8</b>		<b>80.7</b>			<b>2.6</b>	<b>13.9</b>	<b>2.3</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/20.

(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 9/30/2020	% 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-Munksjo Oyj (AMI)	\$3,233	\$342	10.6%	\$21.11	99.1%	\$2,428	\$3,473	1.1x	10.2x	2.8x
Alfa Laval AB (ALFA)	5,143	991	19.3	22.19	76.3	9,309	10,377	2.0	10.5	0.8
Amiad Filtration Systems Ltd (AFS)	114	10	8.9	3.10	81.6	94	105	0.9	10.4	0.8
Andritz AG (ANDR)	7,978	601	7.5	30.95	61.5	3,091	3,257	0.4	5.4	0.1
Asahi Kasei Corp. (3407)	19,955	2,793	14.0	8.67	70.6	12,033	17,050	0.9	6.1	1.7
Daikin Industries Ltd. (6367)	23,235	3,433	14.8	182.99	94.4	53,541	54,772	2.4	16.0	(0.1)
Denso Corp. (6902)	43,561	1,985	4.6	43.59	88.8	33,773	35,275	0.8	17.8	0.3
Faurecia SA (EO)	17,574	1,418	8.1	43.35	69.6	5,935	11,054	0.6	7.8	3.2
FLSmidth & Co. A/S (FLS)	3,018	235	7.8	28.60	64.4	1,434	1,799	0.6	7.6	1.3
GEA Group AG (GIA)	5,676	299	5.3	35.31	89.4	6,360	6,229	1.1	20.9	(0.9)
GUD Holdings Ltd. (GUD)	314	69	21.8	8.16	88.9	709	869	2.8	12.7	2.2
Ibiden Co., Ltd. (4062)	2,726	440	16.1	33.66	94.7	4,704	4,800	1.8	10.9	0.5
Johnson Matthey plc (JMAT)	18,850	914	4.9	30.48	71.6	5,868	7,327	0.4	8.0	1.5
NGK Insulators Ltd. (5333)	3,949	761	19.3	14.17	75.0	4,487	5,846	1.5	7.7	1.7
Nitto Denko Corp. (6988)	6,894	1,122	16.3	64.85	95.8	9,594	7,211	1.0	6.4	(2.2)
Porvair plc (PRV)	189	28	14.9	6.60	64.0	303	321	1.7	11.4	0.6
Sartorius AG (SRT)	2,336	626	26.8	348.76	95.5	25,913	28,199	12.1	45.1	2.9
Siemens AG (SIE)	101,655	11,718	11.5	127.10	89.7	100,653	143,519	1.4	12.2	3.1
Toray Industries Inc. (3402)	19,608	2,035	10.4	4.54	56.5	7,274	15,449	0.8	7.6	3.6
<b>Median</b>			<b>11.5%</b>		<b>81.6%</b>			<b>1.1x</b>	<b>10.4x</b>	<b>1.3x</b>
<b>Mean</b>			<b>12.8</b>		<b>80.4</b>			<b>1.8</b>	<b>12.3</b>	<b>1.3</b>

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

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Valuation Trends over Time

Quarterly median TEV/LTM EBITDA valuation multiples are slightly higher than last quarter levels for most pump companies. Annual multiples for domestic and international companies were generally lower than last year.

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

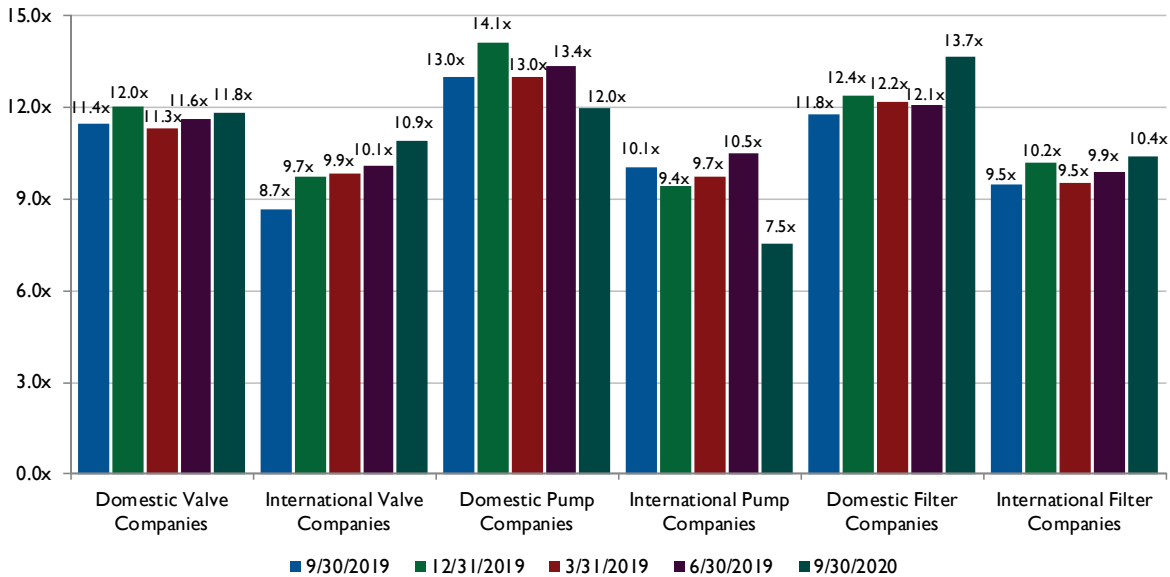
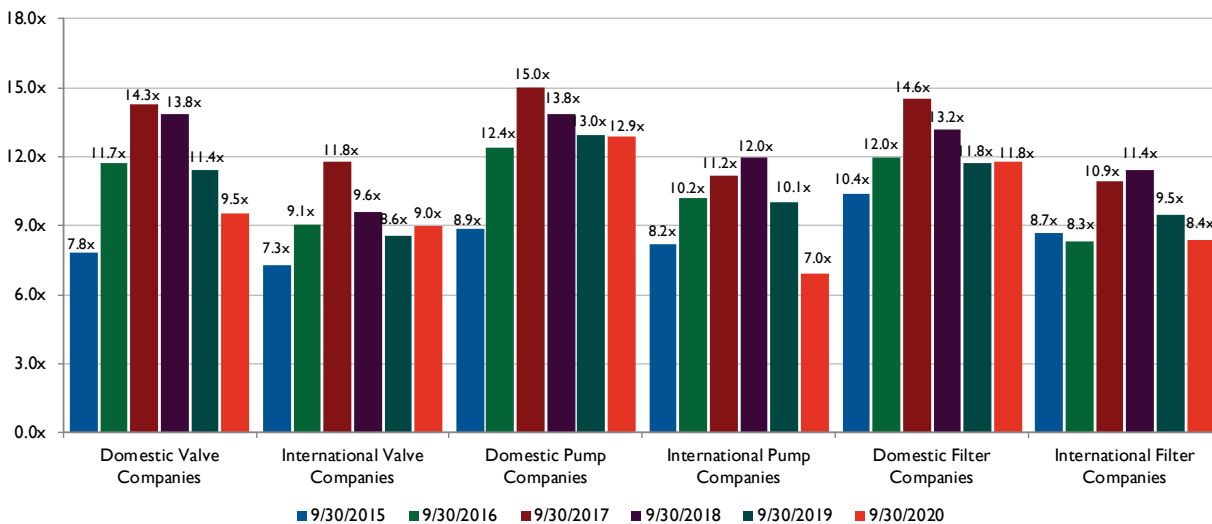


CHART V: ANNUAL MEDIAN TEV/LTM EBITDA VALUATION MULTIPLES<sup>(1)</sup>

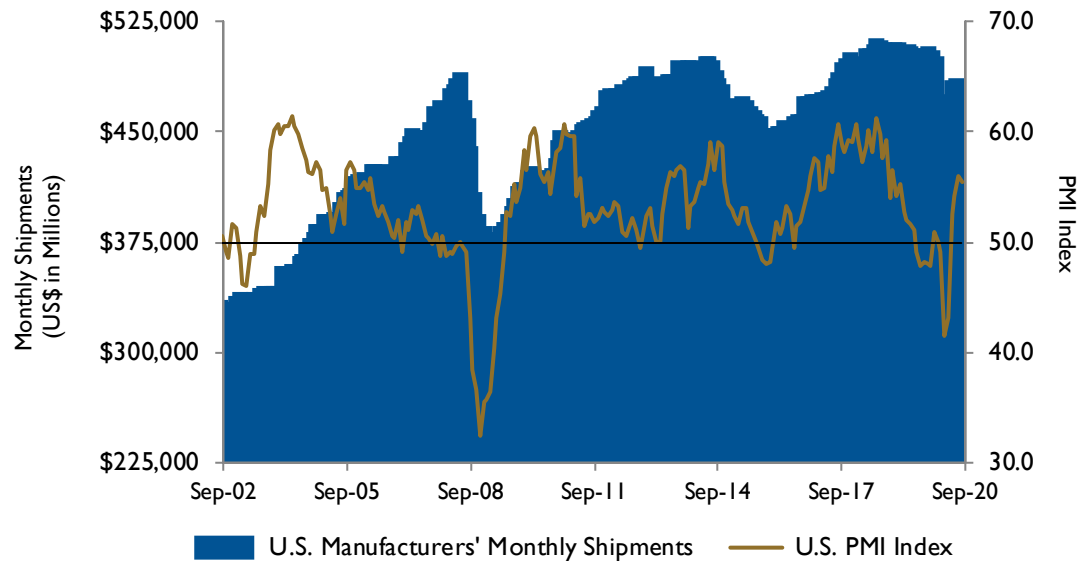


(1) Source: S&P Capital IQ and JKC research.

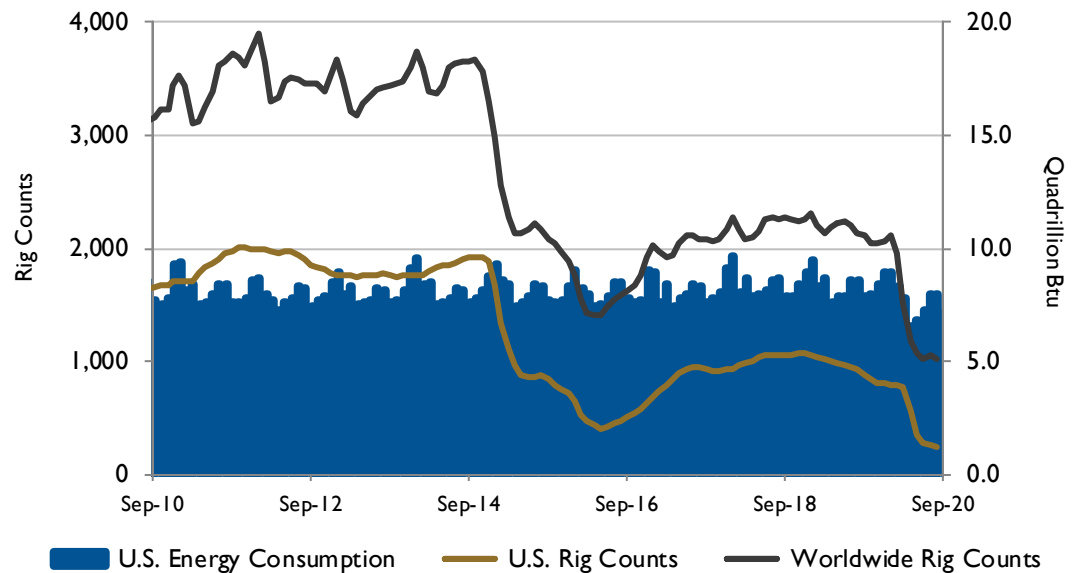
# Economic Indicators – Valves and Pumps<sup>(1)</sup>

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>**

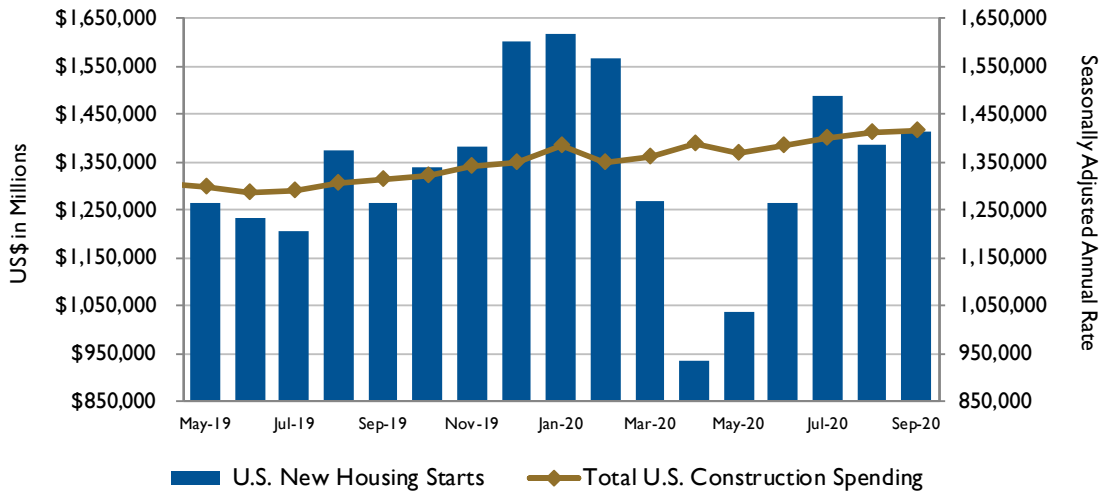


(1) Economic indicators used in Public Equity and Valuation Analysis section of this report.  
 (2) Source: Institute for Supply Management Manufacturing Report on Business®. A PMI Index above 50 represents expansion within the manufacturing sector compared with the prior month.  
 (3) Source: U.S. Census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

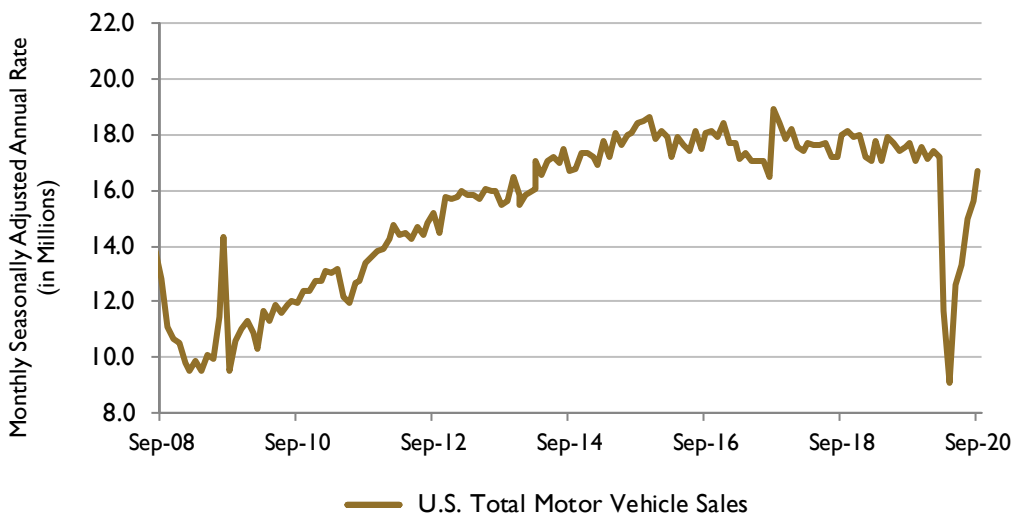
# Economic Indicators – Filters<sup>(1)</sup>

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

## JORDAN KNAUFF & COMPANY

### FLOW CONTROL TEAM

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**G. COOK JORDAN, JR.**  
*Managing Principal*  
Office (312) 254-5901  
cj@jordanknauff.com



**DAVID A. KAKAREKA**  
*Vice President of Transaction Management*  
Office (312) 254-5907  
dkakareka@jordanknauff.com



**LORI A. CALLAWAY**  
*Vice President of Research and Publications*  
Office (312) 254-5914  
lcallaway@jordanknauff.com

## 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.



200 West Madison Street, Suite 980  
Chicago, Illinois 60606-3414  
tel: (312) 254-5900 ■ fax: (312) 254-5999  
email: info@jordanknauff.com ■ web: www.jordanknauff.com

MEMBER FINRA, SIPC

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