

# FLOW CONTROL

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# Industry In-Sight™

FIRST QUARTER 2022



**JORDAN KNAUFF  
& COMPANY**

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## IN THIS REPORT

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

# Introduction

BY G. COOK JORDAN, JR.

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

Jordan Knauff & Company (JKC) was founded in 2001 to undertake a distinct mission: to assemble and maintain a staff of top-notch investment banking personnel and offer their knowledge and experience to provide the best available investment banking services to middle-market companies, the entrepreneurs that lead them and the financial entities that transact with them. On a combined basis, over the course of their careers our employees have completed over 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 ... than... larger companies.***

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.

■ 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. 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

### FLOW CONTROL TRENDS

#### ***Tenneco to be Acquired by Apollo Global Management***

Tenneco Inc. agreed to be acquired by private equity firm Apollo Global Management Inc. for \$1.64 billion in cash and the assumption of \$5.02 billion of long-term debt. On an enterprise basis, the deal is valued at \$7.1 billion.

Apollo agreed to a purchase price of \$20.00 per share, representing a 100.4% premium over Tenneco's closing share price of \$9.98 the day prior to the announcement. Tenneco had revenues of more than \$18.2 billion and \$1.3 billion of earnings before interest, taxes, depreciation and amortization (EBITDA) for the trailing twelve months, equating to a 5.5x EBITDA multiple.

Based in Lake Forest, Illinois, Tenneco designs, manufactures and sells clean air and powertrain products and systems for light vehicle, commercial truck, off-highway, industrial, motorsport and aftermarket customers worldwide. It operates through four segments: Clean Air (catalytic converters, diesel oxidation catalysts and diesel particulate filters), Motorparts (steering, sealing, engine parts and emissions control), Ride Performance (suspension, noise and vibration technologies) and Powertrain (pistons, cylinder liners, bearings and spark plugs). In 2018, the company doubled in size with the acquisition of automotive parts company Federal-Mogul LLC for approximately \$5.4 billion. In 2019, Tenneco purchased Sweden-based Öhlins Racing. The company employs 71,000 workers and operates 129 manufacturing facilities and 29 distribution centers globally.

#### **Global Manufacturing and Distribution Facilities<sup>(1)</sup>**

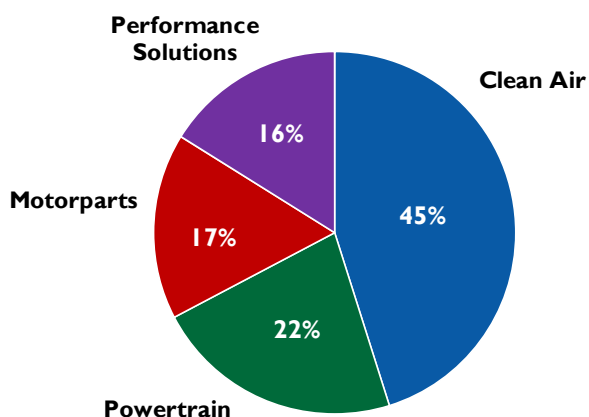


Representing approximately 45% of Tenneco's sales, the Clean Air segment designs, manufactures, markets and distributes a variety of products and systems designed to reduce pollution and optimize engine performance for vehicles. It operates 65 manufacturing facilities worldwide with 16 facilities located in North America, 21 in Europe, 2 in South America and 26 in Asia Pacific, along with 8 engineering and technical facilities worldwide.

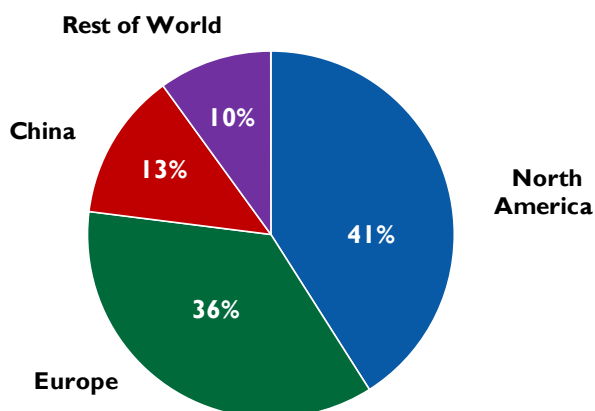
The acquisition has been approved by the Tenneco board of directors and is expected to close in the second half of 2022. Upon completion of the transaction, Tenneco's shares will no longer trade on the New York Stock Exchange, and Tenneco will become a private company. The company will continue to operate under the Tenneco name and brand.

Headquartered in New York City, Apollo has more than \$498 billion of assets under management and more than \$83 billion dedicated to private equity. The firm has acquired more than 350 companies since its founding in 1990.

### Tenneco Sales by Segment<sup>(1)</sup>



### Value-Added Sales by Region<sup>(1)</sup>



(1) Tenneco 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: IQ 2022<sup>(1)</sup>**

Announced Date	Target	Acquirer(s)
3/24/2022	Ladish Valves/Smith Valves/Advanced Industrial Technologies, LLC/Diamond Gear	Wynnchurch Capital, LP
3/15/2022	Xanor de Mexico, SA de CV	Marshall Excelsior Company
2/25/2022	Nencini SpA	OMB Valves SpA
1/12/2022	Hydro Fitting Manufacturing Corporation	Novaria Holdings LLC

**TABLE III: SELECTED PUMP M&A TRANSACTIONS: IQ 2022<sup>(1)</sup>**

Announced Date	Target	Acquirer(s)
3/14/2022	LEWA Group	Atlas Copco AB
2/28/2022	Pumpegruppen A/S	AxFlow A/S
2/21/2022	Pumpenfabrik Wangen GmbH	Atlas Copco AB
2/4/2022	Orlando Watertechnology	Water Is Life Group
2/2/2022	Well Pumps SA Belgium and Well Pumps Solar Portugal	Water Is Life Group
1/31/2022	Stuart Turner Limited	Epiris LLP
1/27/2022	Voener FloGard Corporation	Aerzen USA Corporation
1/25/2022	Dreno Pompe SRL	Industrial Flow Solutions LLC
1/19/2022	Termomeccanica Pompe SpA	Trillium Flow Technologies
1/4/2022	Enaqua	Management

**TABLE IV: SELECTED FILTER M&A TRANSACTIONS: IQ 2022<sup>(1)</sup>**

Announced Date	Target	Acquirer(s)
3/15/2022	Aqua-Chem, Inc.	Saur SAS
2/23/2022	Tenneco Inc.	Apollo Global Management, Inc.
2/17/2022	National Filter Media Corporation	Micronics, Inc.
2/8/2022	Assets of Pura Air Purification, Inc.	Pinnacle Climate Technologies, Inc.
1/19/2022	Assets of RV Air, Inc.	Nation Wide Products, LLC
1/14/2022	Echo Water Limited	Glenpatrick Natural Mineral Water Coolers Limited
1/13/2022	ASCO Filtri SpA	Mott Corporation
1/11/2022	IPC Global Solutions	Trive Capital Management LLC, Premium Guard, 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 7.3% over the last 12 months, while the broader S&P 500 Index was up 12.7%.

Following reports that Russian forces invaded Ukraine, the front-month futures price of both Brent and West Texas Intermediate (WTI) crude oil increased to more than \$100 per barrel (b) on February 24. The front-month Brent contract price closed just below \$115/b on March 2, after rising and settling above \$100/b on February 28. The Brent crude oil price last rose above \$100/b in late 2014.<sup>(1)</sup>

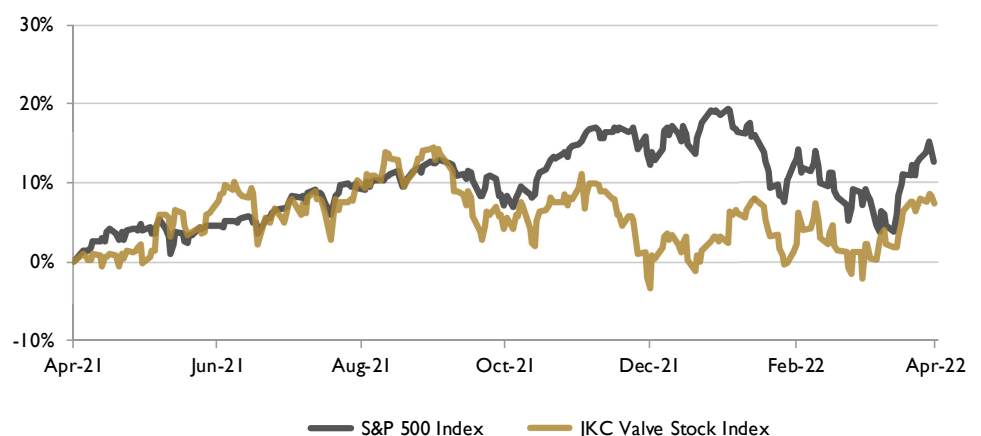
The United States became Europe's largest source of liquefied natural gas (LNG) in 2021, accounting for 26% of all LNG imported by European Union member countries and the United Kingdom. Qatar supplied another 24%, while Russia supplied 20%. Pipeline flows of natural gas from Russia decreased during 2021.

In response to Russia's invasion of Ukraine, the Department of Energy committed to releasing 30 million barrels of crude oil from the Strategic Petroleum Reserve (SPR) to help ensure an adequate supply of petroleum. Other International Energy Agency member countries collectively agreed to release an additional 30 million barrels of petroleum from their emergency reserves, bringing the total release to 60 million barrels. The SPR was established in the 1970s to alleviate the effects of unexpected oil supply reductions. This release commitment is the first emergency drawdown since 2011.

On Wall Street, the Dow Jones Industrial Average, the S&P 500 Index and the NASDAQ Composite gained 2.3%, 3.6% and 3.4%, respectively in March. Negotiations between Russia and Ukraine, slowing commodity prices, especially crude oil, and expectations of an interest rate increase by The Federal Reserve Bank helped stocks rally. For the quarter, the Dow, the S&P 500 and the NASDAQ fell 4.6%, 4.9% and 9.1%, respectively. The market was concerned about a possible recession and weak economic data.

**The front-month Brent contract price closed just below \$115/b on March 2, after rising and settling above \$100/b on February 28.**

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



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

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



## Valve Companies

As shown in Tables V and VI, as of March 31, 2022, domestic and international Valve companies were trading at median total enterprise value / latest twelve months (“TEV/LTM”) EBITDA multiples of 13.3x and 10.8x, respectively, while both groups have median EBITDA margins of 20.1% and 14.0%, respectively. The median stock price as a percentage of the 52-week high for both groups is 82% and 82%, 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 3/31/2022	% 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)	\$520	\$111	21.3%	\$99.71	88.7%	\$2,916	\$2,835	5.5x	25.6x	(0.7x)
CIRCOR International Inc. (CIR)	770	99	12.8	26.62	67.4	539	980	1.3	9.9	4.5
Crane Co. (CR)	3,202	625	19.5	108.28	94.3	6,159	6,597	2.1	10.6	1.1
Curtiss-Wright Corp. (CWV)	2,468	547	22.2	150.16	92.1	5,771	6,813	2.8	12.5	2.1
Dover Corp. (DOV)	8,091	1,676	20.7	156.90	85.3	22,610	25,536	3.2	15.2	1.7
Emerson Electric Co. (EMR)	18,908	4,353	23.0	98.05	92.5	58,242	62,861	3.3	14.4	1.0
Flowserve Corp. (FLS)	3,505	404	11.5	35.90	80.9	4,690	5,567	1.6	13.8	2.3
General Electric Co. (GE)	74,164	7,915	10.7	91.50	78.8	100,810	114,384	1.5	14.5	1.9
Honeywell International Inc. (HON)	34,314	8,741	25.5	194.58	82.1	133,381	143,169	4.2	16.4	1.2
ITT Corporation (ITT)	2,765	576	20.8	75.21	71.3	6,415	6,064	2.2	10.5	(0.6)
Mueller Water Products, Inc. (MWA)	1,189	214	18.0	12.92	74.4	2,027	2,295	1.9	10.7	1.4
Parker Hannifin Corporation (PH)	15,633	3,486	22.3	283.76	83.5	36,457	44,432	2.8	12.7	2.2
Schlumberger Limited (SLB)	23,668	5,914	25.0	41.31	89.3	57,974	70,126	3.0	11.9	1.9
TechnipFMC plc (FTI)	6,327	964	15.2	7.75	72.4	3,504	4,674	0.7	4.8	1.7
Watts Water Technologies, Inc. (WTS)	1,859	330	17.7	139.59	65.8	4,671	4,626	2.5	14.0	(0.1)
Xylem Inc. (XYL)	5,211	915	17.6	85.26	61.4	15,352	16,763	3.2	18.3	1.5
<b>Median</b>			<b>20.1%</b>		<b>81.5%</b>			<b>2.6x</b>	<b>13.3x</b>	<b>1.6x</b>
<b>Mean</b>			<b>19.0</b>		<b>80.0</b>			<b>2.6</b>	<b>13.5</b>	<b>1.4</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 3/31/22.

(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 3/31/2022	% 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)	\$3,309	\$590	17.8%	\$52.41	78.9%	\$5,796	\$6,390	1.9x	10.8x	1.0x
Alfa Laval AB (ALFA)	4,381	883	20.2	34.83	83.2	14,412	15,206	3.5	17.2	1.2
Georg Fischer AG (GF)	4,066	450	11.1	60.16	71.5	4,923	5,009	1.2	11.1	0.1
Hisaka Works Ltd. (6247)	248	19	7.6	6.54	83.9	184	48	0.2	2.5	(7.6)
Hitachi Ltd. (6501)	83,147	8,212	9.9	50.77	82.6	49,104	75,276	0.9	9.2	1.8
IMI plc (IMI)	2,453	496	20.2	17.92	72.6	4,650	5,465	2.2	11.0	1.7
Kitz Corp. (6498)	1,118	130	11.6	5.66	76.9	507	604	0.5	4.7	0.8
KSB Aktiengesellschaft (KSB)	2,606	242	9.3	479.89	88.9	796	670	0.3	2.8	(1.4)
Kubota Corp. (6326)	18,090	2,516	13.9	18.97	84.3	22,756	30,493	1.7	12.1	3.4
Lupatech S.A. (LUPA3)	19	(6)	(33.2)	1.09	43.6	32	53	2.7	NM	(3.3)
Okano Valve Manufacturing Co. (6492)	48	7	14.1	22.81	94.1	39	21	0.4	3.1	(2.7)
Saint Gobain (SGO)	49,056	6,940	14.1	60.29	80.9	31,426	39,977	0.8	5.8	1.2
SMC Corp. (6273)	5,787	1,999	34.5	566.89	86.6	37,041	31,518	5.4	15.8	(2.8)
Spirax-Sarco Engineering plc (SPX)	1,767	511	28.9	164.77	72.8	12,145	12,397	7.0	24.3	0.5
The Weir Group PLC (WEIR)	2,542	456	18.0	21.57	81.4	5,594	6,623	2.6	14.5	2.3
Velan, Inc. (VLN)	381	32	8.4	8.29	92.2	179	164	0.4	5.1	(0.8)
<b>Median</b>			<b>14.0%</b>		<b>82.0%</b>			<b>1.5x</b>	<b>10.8x</b>	<b>0.7x</b>
<b>Mean</b>			<b>12.9</b>		<b>79.6</b>			<b>2.0</b>	<b>10.0</b>	<b>(0.3)</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 3/31/22.

(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

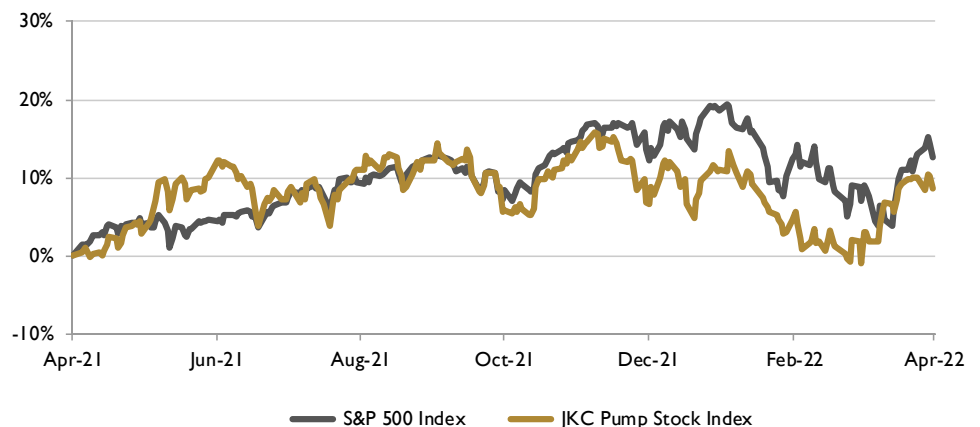
The JKC Pump Stock Index was up 8.5% over the last twelve months, while the S&P 500 Index was up 12.7% over the same time period.

The Institute for Supply Management's Manufacturing Report On Business'® Purchasing Managers' Index (PMI®) fell 1.5 percentage points to 57.1% in March, the lowest reading since September 2020 of 55.4%. New orders fell by 7.9 percentage points to 53.8%, while new export orders fell by 3.9 percentage points to 53.2%. The backlog of orders index fell to 60% from February's 65%. The production index decreased 4 percentage points to 54.5%, while the employment index rose 3.4 percentage points to 56.3%. Survey respondents reported lower rates of quits and early retirements compared to previous months, as well as improving internal and supplier labor positions. The prices index registered 87.1%, up 11.5 percentage points compared to February. Fifteen of eighteen manufacturing industries reported growth, with five of the six largest industries showing moderate to strong growth.<sup>(1)</sup>

The Labor Department reported employers added 431,000 jobs in March, the 11th straight month of job gains above 400,000. Job gains were seen in restaurants, manufacturers and retailers. In addition, more than 300,000 women joined the labor force. There are still fewer women in the labor force than before the pandemic, while, male levels have fully recovered. The unemployment rate fell to 3.6% from 3.8% a month earlier. Average hourly earnings grew 5.6% compared with last year. However, on average, annual inflation of nearly 8% is erasing gains by workers. The economy has about 1.6 million fewer jobs than in February 2020.

On Wall Street, the Dow Jones Industrial Average, the S&P 500 Index and the NASDAQ Composite gained 2.3%, 3.6% and 3.4%, respectively in March. Negotiations between Russia and Ukraine, slowing commodity prices, especially crude oil, and expectations of an interest rate increase by The Federal Reserve Bank helped stocks rally. For the quarter, the Dow, the S&P 500 and the NASDAQ fell 4.6%, 4.9% and 9.1%, respectively. The market was concerned about a possible recession and weak economic data.

**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 15.2x and 7.2x, respectively, as of March 31, 2022. As you can see, both groups are leveraged with a median net debt/LTM EBITDA ratio of 1.5x for domestic Pump companies compared to -0.2x for international Pump companies. In our assessment, domestic companies 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 3/31/2022	% 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)	\$353	\$20	5.7%	\$6.31	77.0%	\$121	\$185	0.5x	9.2x	3.7x
Baker Hughes Inc. (BKR)	20,555	3,497	17.0	36.41	91.5	34,711	39,290	1.9	11.2	0.7
Crane Co. (CR)	3,202	625	19.5	108.28	94.3	6,159	6,597	2.1	10.6	1.1
Curtiss-Wright Corp. (CW)	2,468	547	22.2	150.16	92.1	5,771	6,813	2.8	12.5	2.1
Danaher Corp. (DHR)	29,453	10,641	36.1	293.33	87.8	209,993	233,957	7.9	22.0	1.9
Dover Corp. (DOV)	8,091	1,676	20.7	156.90	85.3	22,610	25,536	3.2	15.2	1.7
Energy Recovery, Inc. (ERII)	108	24	22.8	20.14	80.6	1,144	1,055	9.8	43.1	(3.3)
Flowserve Corp. (FLS)	3,505	404	11.5	35.90	80.9	4,690	5,567	1.6	13.8	2.3
Franklin Electric Co. Inc. (FELE)	1,780	257	14.4	83.04	85.7	3,854	4,053	2.3	15.8	1.1
General Electric Co. (GE)	74,164	7,915	10.7	91.50	78.8	100,810	114,384	1.5	14.5	1.9
Gorman-Rupp Co. (GRC)	391	50	12.8	35.88	76.1	937	813	2.1	16.2	(2.4)
Graco Inc. (GGG)	1,988	590	29.7	69.72	86.0	11,807	11,408	5.7	19.3	(0.7)
IDEX Corp. (IEX)	2,864	835	29.2	191.73	79.8	14,592	14,992	5.2	17.9	0.7
Illinois Tool Works Inc. (ITW)	14,850	3,958	26.7	209.40	83.8	65,527	71,882	4.8	18.2	1.7
Ingersoll-Rand Co. Ltd. (IR)	5,360	1,147	21.4	50.35	80.4	20,541	22,038	4.1	19.2	1.3
ITT Corporation (ITT)	2,765	576	20.8	75.21	71.3	6,415	6,064	2.2	10.5	(0.6)
National Oilwell Varco, Incorporated (NOV)	5,823	454	7.8	19.61	81.5	7,700	8,564	1.5	18.9	2.1
Pentair, Inc. (PNR)	3,899	754	19.3	54.21	67.4	8,950	9,838	2.5	13.0	1.4
Roper Technologies Inc. (ROP)	5,928	2,325	39.2	472.23	93.5	49,869	57,671	9.7	24.8	1.8
Schlumberger Limited (SLB)	23,668	5,914	25.0	41.31	89.3	57,974	70,126	3.0	11.9	1.9
Standex International Corp. (SXI)	727	143	19.6	99.92	82.3	1,223	1,313	1.8	9.2	0.7
Weatherford International Ltd. (WFRD)	3,751	719	19.2	33.30	90.3	2,347	4,035	1.1	5.6	2.5
Xylem Inc. (XYL)	5,211	915	17.6	85.26	61.4	15,352	16,763	3.2	18.3	1.5
<b>Median</b>			<b>19.6%</b>		<b>82.3%</b>			<b>2.5x</b>	<b>15.2x</b>	<b>1.5x</b>
<b>Mean</b>			<b>20.4</b>		<b>82.5</b>			<b>3.5</b>	<b>16.1</b>	<b>1.1</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 3/31/22.

(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 3/31/2022	% of 52-Week High	Market Cap	Total Enterprise Value <sup>(3)</sup>	TEV / LTM		Net Debt <sup>(4)</sup> EBITDA
	Revenues <sup>(2)</sup>	EBITDA <sup>(2)</sup>	Margin					Revenues	EBITDA	
Alfa Laval AB (ALFA)	\$4,381	\$883	20.2%	\$34.83	83.2%	\$14,412	\$15,206	3.5x	17.2x	1.2x
Andritz AG (ANDR)	7,182	653	9.1	46.63	82.4	4,626	4,185	0.6	6.4	(1.1)
DMW Corp. (6365)	194	27	14.0	27.30	82.9	116	65	0.3	2.4	(1.8)
Ebara Corp. (6361)	4,967	668	13.5	56.33	98.4	5,182	5,030	1.0	7.5	(0.2)
FLSmidth & Co. A/S (FLS)	2,624	205	7.8	26.49	62.9	1,503	1,365	0.5	6.7	(0.6)
Gevelot SA (ALGEV)	105	9	8.4	213.29	98.5	164	4	0.0	0.5	(18.5)
GUD Holdings Ltd. (GUD)	478	97	20.2	8.70	84.7	1,226	1,171	2.4	12.1	(0.6)
Hyundai Heavy Industries Co. Ltd. (A329180)	6,586	(638)	(9.7)	98.38	88.5	8,733	9,718	1.4	NM	(1.8)
John Wood Group plc (WG)	6,310	461	7.3	2.13	55.2	1,439	3,133	0.5	6.8	4.0
Kirloskar Brothers Ltd. (500241)	390	27	6.9	3.73	56.1	296	307	0.8	11.5	0.4
KSB Aktiengesellschaft (KSB)	2,606	242	9.3	479.89	88.9	796	670	0.3	2.8	(1.4)
Kubota Corp. (6326)	18,090	2,516	13.9	18.97	84.3	22,756	30,493	1.7	12.1	3.4
Nikkiso Co. Ltd. (6376)	1,381	106	7.7	7.54	75.1	537	1,526	1.1	14.4	10.0
Pfeiffer Vacuum Technology AG (PFV)	857	148	17.3	191.07	77.5	1,903	1,813	2.1	12.3	(0.7)
SKF AB (SKF B)	8,752	1,424	16.3	16.48	59.8	7,574	8,366	1.0	5.9	0.8
Spirax-Sarco Engineering plc (SPX)	1,767	511	28.9	164.77	72.8	12,145	12,397	7.0	24.3	0.5
Sulzer, Ltd. (SUN)	3,426	388	11.3	83.51	53.3	2,816	2,924	0.9	7.5	0.3
Teikoku Electric Mfg. Co., Ltd. (6333)	176	28	15.9	12.96	98.9	248	139	0.8	5.0	(4.0)
The Weir Group PLC (WEIR)	2,542	456	18.0	21.57	81.4	5,594	6,623	2.6	14.5	2.3
Torishima Pump Manufacturing Co. Ltd. (6363)	450	56	12.4	8.45	95.9	223	251	0.6	4.5	0.3
Tsurumi Manufacturing Co. Ltd. (6351)	407	58	14.2	14.98	93.6	375	259	0.6	4.5	(2.0)
<b>Median</b>			<b>13.5%</b>		<b>82.9%</b>			<b>0.9x</b>	<b>7.2x</b>	<b>(0.2x)</b>
<b>Mean</b>			<b>12.5</b>		<b>79.7</b>			<b>1.4</b>	<b>8.9</b>	<b>(0.5)</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 3/31/22.

(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 13.2% over the last twelve months, while the S&P 500 Index was up 12.7%.

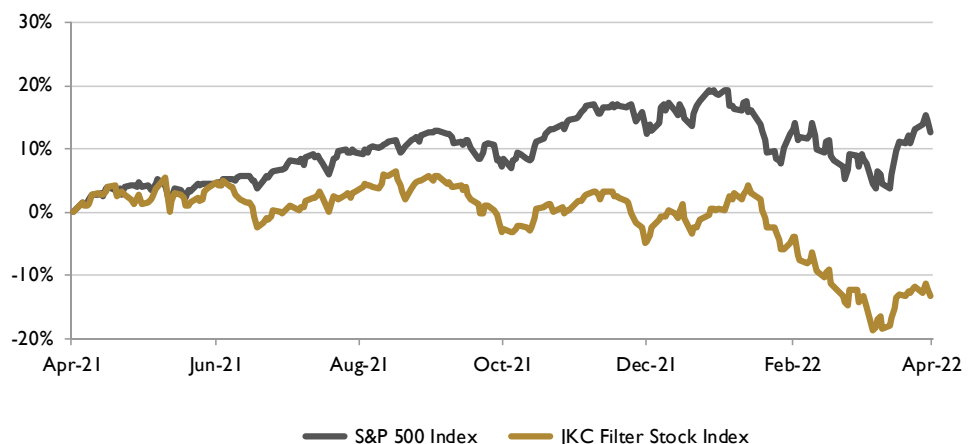
Housing starts rose 0.3% in March, despite the recent spike in mortgage rates beyond 5%. Strength was seen in multifamily starts, which climbed 4.6%. Multifamily permits jumped 10% in March. Permits over the past three months have averaged a 689,000-unit pace, which is 23.8% above the pace of starts. There are currently 811,000 multifamily units under construction, on a seasonally-adjusted annual rate basis, which is the most since May 1974. Single-family construction appears to be losing some momentum, with starts declining 1.7% in March and permits falling 4.8%. The strongest gain in single-family starts was in the Midwest at 7.0%. The strength in housing starts at the start of 2022 reflects some easing in supply constraints. Labor is also more plentiful.<sup>(1)</sup>

Automakers struggled with supply chain issues, semiconductor shortages, volatile gas prices and the continuing pandemic in the first quarter, as all major producers that reported sales posted steep declines in the period. All of these factors upended production and left dealer lots empty. March sales were down 26% from a year earlier.

General Motors posted a 20% drop in sales for the quarter, losing out to Toyota for a second consecutive quarter. However, sales of General Motor's trucks and SUVs were up. Toyota's sales fell 15%. Hybrid gas-electric models, which make up more than a quarter of Toyota's sales, fell only 3.9%. Sales at Honda declined 23%. Nissan's sales fell almost 30% in the quarter, while its Leaf EV jumped 49%.

On Wall Street, the Dow Jones Industrial Average, the S&P 500 Index and the NASDAQ Composite gained 2.3%, 3.6% and 3.4%, respectively in March. Negotiations between Russia and Ukraine, slowing commodity prices, especially crude oil, and expectations of an interest rate increase by The Federal Reserve Bank helped stocks rally. For the quarter, the Dow, the S&P 500 and the NASDAQ fell 4.6%, 4.9% and 9.1%, respectively. The market was concerned about a possible recession and weak economic data.

**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.

**The strength in housing starts at the start of 2022 reflects some easing in supply constraints.**



### Filter Companies

As of March 31, 2022, domestic and international Filter companies (listed in Table IX and Table X, respectively) were trading at medians of 13.0x and 8.3x, respectively, of TEV/LTM EBITDA with median LTM EBITDA margins of 18.9% and 14.5%, respectively. With the exception of a few companies, the domestic 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 3/31/2022	% 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)	\$35,333	\$9,914	28.1%	\$148.88	71.3%	\$84,738	\$98,361	2.8x	9.9x	1.4x
CECO Environmental Corp. (CECE)	345	28	8.2	5.49	59.9	192	246	0.7	8.7	2.4
Corning Inc. (GLW)	14,472	4,090	28.3	36.91	78.8	31,213	37,106	2.6	9.1	1.4
Crane Co. (CR)	3,202	625	19.5	108.28	94.3	6,159	6,597	2.1	10.6	1.1
Cummins Inc. (CMI)	24,314	3,575	14.7	205.11	75.0	29,141	31,513	1.3	8.8	0.5
Donaldson Company Inc. (DCI)	3,102	544	17.6	51.93	74.9	6,416	6,864	2.2	12.6	0.8
Eaton Corporation (ETN)	19,779	3,740	18.9	151.76	86.4	60,639	69,202	3.5	18.5	2.5
Entegris, Inc. (ENTG)	2,299	703	30.6	131.26	83.1	17,804	18,410	8.0	26.2	0.9
ESCO Technologies Inc. (ESE)	769	136	17.7	69.92	61.3	1,817	2,013	2.6	14.8	1.4
General Electric Co. (GE)	74,164	7,915	10.7	91.50	78.8	100,810	114,384	1.5	14.5	1.9
Honeywell International Inc. (HON)	34,314	8,741	25.5	194.58	82.1	133,381	143,169	4.2	16.4	1.2
Illinois Tool Works Inc. (ITW)	14,850	3,958	26.7	209.40	83.8	65,527	71,882	4.8	18.2	1.7
Parker Hannifin Corporation (PH)	15,633	3,486	22.3	283.76	83.5	36,457	44,432	2.8	12.7	2.2
Pentair, Inc. (PNR)	3,899	754	19.3	54.21	67.4	8,950	9,838	2.5	13.0	1.4
Tenneco Inc. (TEN)	17,953	1,179	6.6	18.32	80.5	1,523	6,473	0.4	5.5	3.7
Watts Water Technologies, Inc. (WTS)	1,859	330	17.7	139.59	65.8	4,671	4,626	2.5	14.0	(0.1)
Xylem Inc. (XYL)	5,211	915	17.6	85.26	61.4	15,352	16,763	3.2	18.3	1.5
<b>Median</b>			<b>18.9%</b>		<b>78.8%</b>			<b>2.6x</b>	<b>13.0x</b>	<b>1.4x</b>
<b>Mean</b>			<b>19.4</b>		<b>75.8</b>			<b>2.8</b>	<b>13.6</b>	<b>1.5</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 3/31/22.

(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 3/31/2022	% of 52-Week High	Market Cap	Total Enterprise Value <sup>(3)</sup>	TEV / LTM		Net Debt <sup>(4)</sup> EBITDA
	Revenues <sup>(2)</sup>	EBITDA <sup>(2)</sup>	Margin					Revenues	EBITDA	
Alfa Laval AB (ALFA)	4,381	883	20.2	34.83	83.2	14,412	15,206	3.5	17.2	1.2
Amiad Water Systems Ltd. (AMD)	112	14	12.8	4.88	66.3	148	144	1.3	10.1	(0.2)
Andritz AG (ANDR)	7,182	653	9.1	46.63	82.4	4,626	4,185	0.6	6.4	(1.1)
Asahi Kasei Corp. (3407)	19,716	3,049	15.5	8.75	82.0	12,138	17,012	0.9	5.6	1.4
Daikin Industries Ltd. (6367)	24,323	3,700	15.2	184.54	75.7	54,013	53,432	2.2	14.4	0.0
Denso Corp. (6902)	44,775	5,758	12.9	64.73	77.2	49,408	52,069	1.2	9.0	0.2
Faurecia SA (EO)	17,349	1,680	9.7	26.27	46.6	3,981	8,267	0.5	4.9	2.3
FLSmidth & Co. A/S (FLS)	2,624	205	7.8	26.49	62.9	1,503	1,365	0.5	6.7	(0.6)
GEA Group AG (GIA)	5,224	574	11.0	41.65	77.3	7,355	6,800	1.3	11.9	(0.9)
GUD Holdings Ltd. (GUD)	478	97	20.2	8.70	84.7	1,226	1,171	2.4	12.1	(0.6)
Ibiden Co., Ltd. (4062)	3,236	947	29.3	49.82	82.0	6,955	7,114	2.2	7.5	(0.1)
Johnson Matthey plc (JMAT)	22,715	1,070	4.7	24.69	55.9	4,552	5,492	0.2	5.1	0.9
NGK Insulators Ltd. (5333)	4,160	1,090	26.2	14.44	83.2	4,498	5,202	1.3	4.8	0.5
Nitto Denko Corp. (6988)	6,929	1,425	20.6	72.63	88.7	10,750	8,018	1.2	5.6	(2.1)
Porvair plc (PRV)	192	28	14.5	8.28	81.6	380	383	2.0	13.8	0.1
Sartorius AG (SRT)	3,832	1,265	33.0	382.69	41.1	28,374	30,789	8.0	24.3	1.6
Siemens AG (SIE)	71,863	10,454	14.5	139.77	79.6	111,730	161,011	2.2	15.4	4.5
Toray Industries Inc. (3402)	17,839	2,440	13.7	5.26	82.3	8,421	15,215	0.9	6.2	2.4
<b>Median</b>			<b>14.5%</b>		<b>80.6%</b>			<b>1.3x</b>	<b>8.3x</b>	<b>0.1x</b>
<b>Mean</b>			<b>16.2</b>		<b>74.0</b>			<b>1.8</b>	<b>10.1</b>	<b>0.5</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 3/31/22.

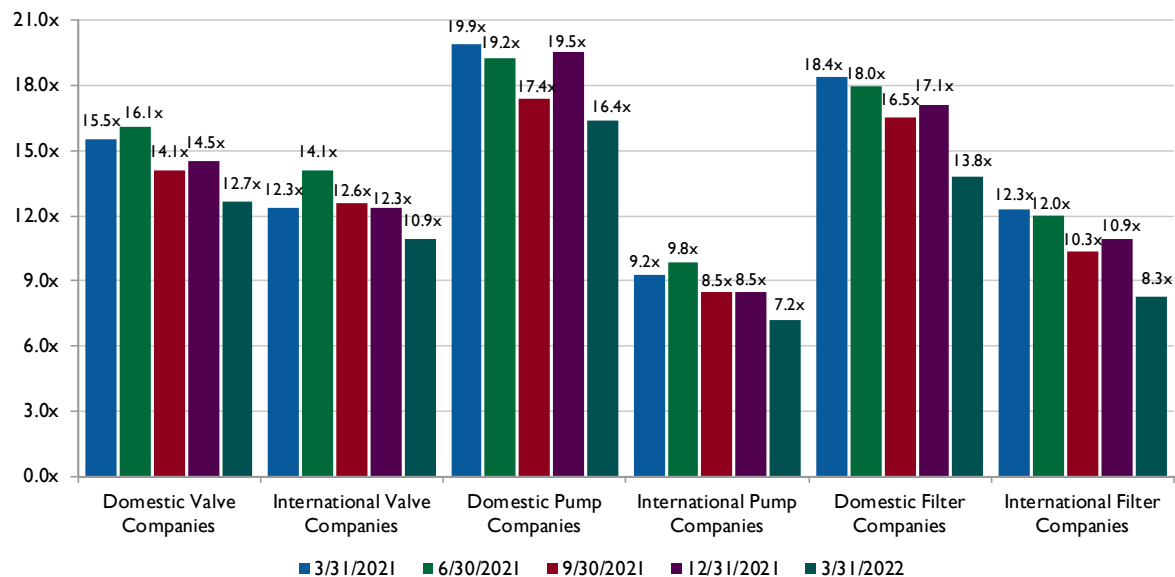
(3) Total enterprise value is defined as market capitalization plus total debt less cash and cash equivalents.

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

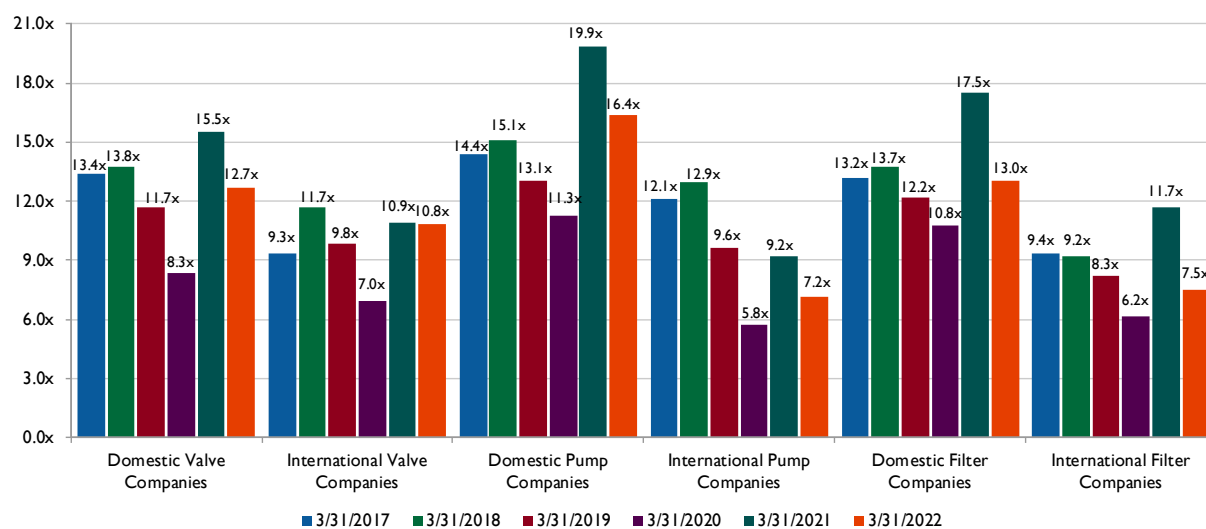
### Valuation Trends over Time

Quarterly TEV/LTM EBITDA valuation multiples are generally lower than last quarter levels for all companies. Annual multiples for domestic and international companies are also 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>**

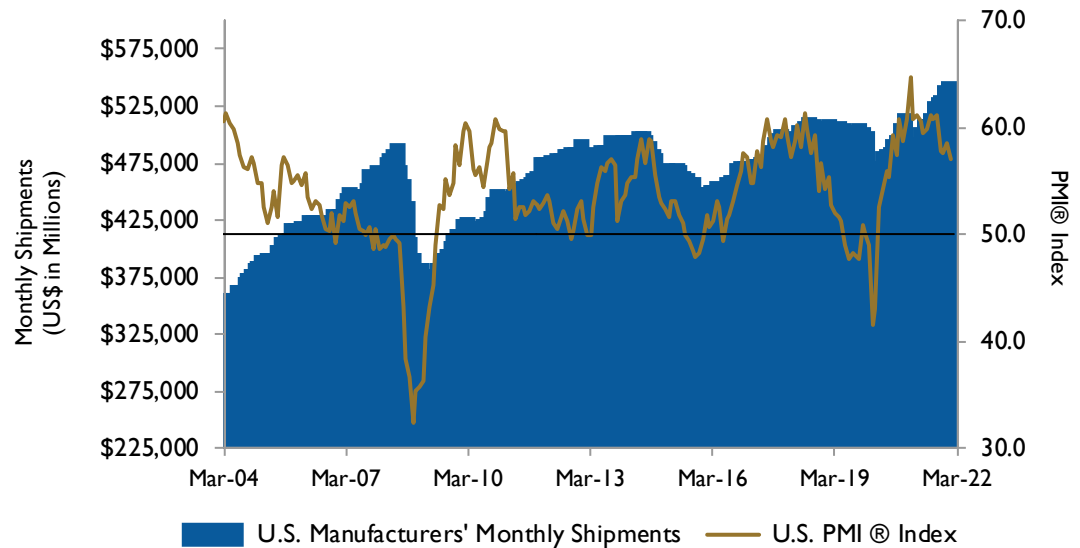


(1) Source: S&P Capital IQ and JKC research.

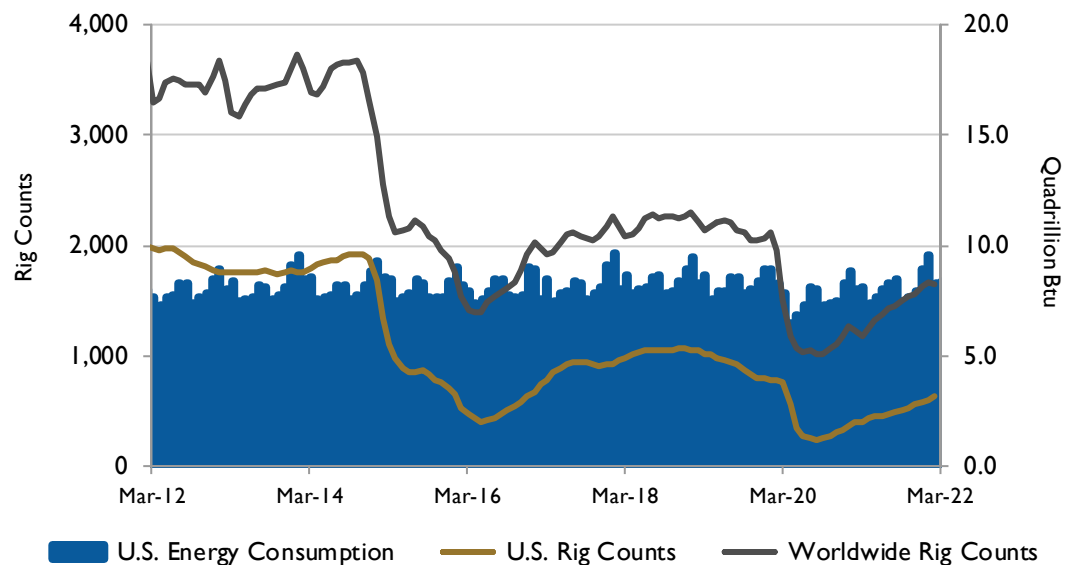
## Economic Indicators — Valves and Pumps<sup>(1)</sup>

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.

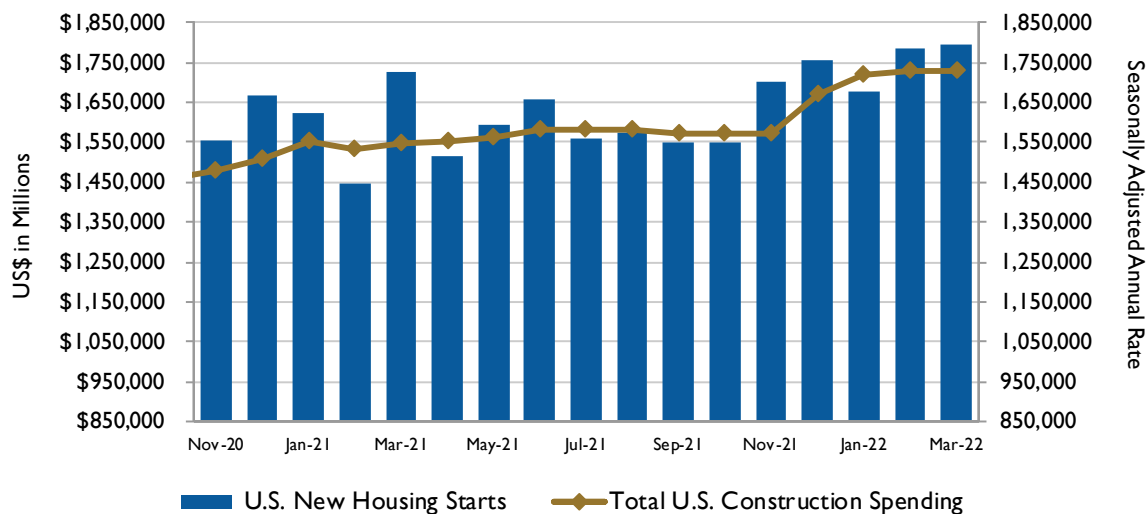
(4) Source: U.S. Energy Information Administration, Short-term Energy Outlook.

(5) Source: Baker Hughes Inc.

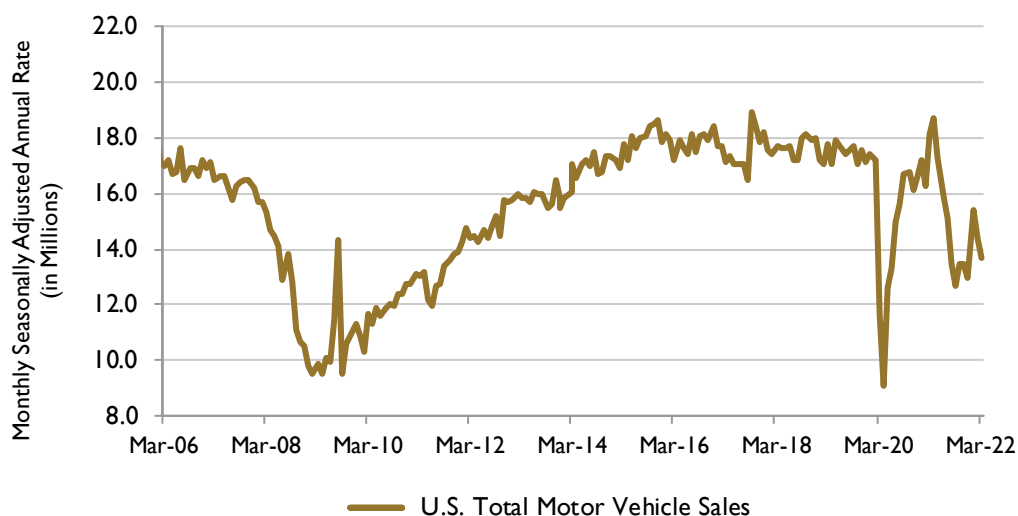
## Economic Indicators – Filters<sup>(1)</sup>

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.

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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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