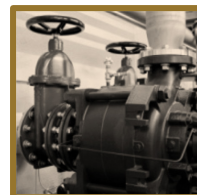


# FLOW CONTROL

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# Industry In-Sight™

THIRD QUARTER 2022



**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 ... 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

### *DXP Continues Acquisitions with Sullivan Environmental Technologies*



In September, DXP Enterprises, Inc. (DXP) completed the acquisition of Sullivan Environmental Technologies, Inc. (Sullivan). The acquired business is a distributor and manufacturers' representative of pumps, valves, controls, and process equipment that focuses on the industrial and municipal water and wastewater industries in Ohio, Kentucky, and Indiana. Sullivan's sales for the last twelve months ending July 31, 2022, were \$4.4 million with an EBITDA (earnings before interest, depreciation and amortization) of \$1.6 million.

Sullivan was founded in 2002 and is headquartered in Fort Mitchell, Kentucky. Along with water and wastewater treatment, the company is also involved in specialty pumping and specialty products. The acquisition will help DXP grow their exposure within a variety of end markets.

DXP was founded in 1908 and provides pumping solutions, supply chain services, and maintenance, repair, operating and production (MROP) services utilizing rotating equipment, bearings, power transmission, metal working, industrial supplies, and safety products and services. The company operates through three segments: service centers, supply chain services, and innovative pumping solutions, and services customers within the energy and industrial markets in the United States, Canada, and Dubai. Headquartered in Houston, Texas, the company employs approximately 2,500 people.

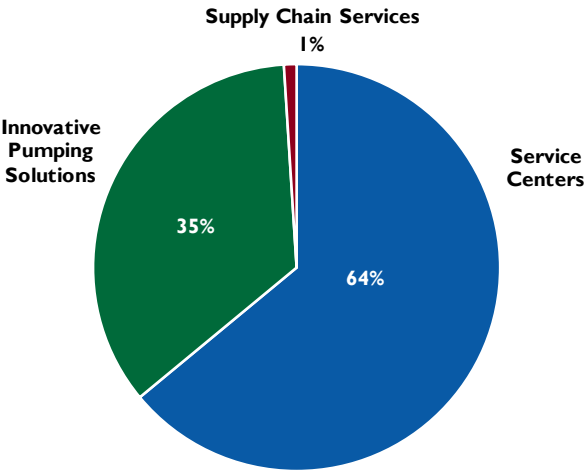
The company has a stated goal of expanding their presence in the industrial, water and wastewater, and food and beverage industries while lessening their exposure to the oil and gas end market. They have decreased their exposure to the oil and gas market by approximately 40% since 2014.

Sullivan is the fourth acquisition in 2022 for DXP and the eleventh acquisition since the fourth quarter of 2020, as DXP continues to expand its offering within various industrial end markets.

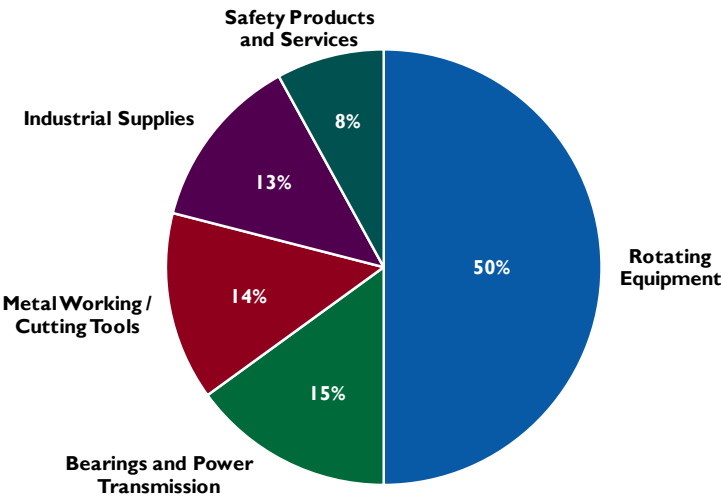
In May, DXP completed the acquisition of Cisco Air Systems, Inc. (Cisco) to diversify their offerings. Cisco serves the food and beverage, transportation, and general industrial markets through the distribution of air compressors. They serve markets in Northern California and Nevada. Sales and adjusted EBITDA for Cisco for the last twelve months ending March 31, 2022, were approximately \$43.2 million and \$7.0 million, respectively.

DXP announced the acquisitions of Drydon Equipment, Inc. (Drydon) and Burlingame Engineers (Burlingame) in March of this year. Drydon is a distributor and manufacturers’ representative of pumps, valves, controls and process equipment focused on serving the water and wastewater industry in the upper Midwest. Burlingame is a California provider of water and wastewater equipment in the industrial and municipal sectors.

**Percentage of M&A Spend by Business Segment**  
**(Transactions Completed from FY09 to September 2022)<sup>(1)</sup>**



**DXP Product Divisions Percentage of FY 2021 Sales<sup>(1)</sup>**



(1) DXP Enterprises, 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: 3Q 2022<sup>(1)</sup>**

Announced Date	Target	Acquirer(s)
9/2/2022	Sullivan Environmental Technologies, Inc.	DXP Enterprises, Inc.
8/23/2022	Fischer Process Industries	Tencarva Machinery Company
7/19/2022	HydraForce, Inc.	Bosch Rexroth AG
7/11/2022	Strate Technologie FÜR Abwasser Gmbh	DÜKer Gmbh
7/6/2022	Wastech Controls & Engineering, Inc.	Ovivo Inc.

**TABLE III: SELECTED PUMP M&A TRANSACTIONS: 3Q 2022<sup>(1)</sup>**

Announced Date	Target	Acquirer(s)
9/26/2022	Sander Power Equipment	Holland Pump Company
9/26/2022	Pump & Power Equipment Corp.	Holland Pump Company
9/20/2022	Intec Pumper AS	Ahlsell AB
9/13/2022	Pedro Gil Construcciones Mecánicas SL	Ingersoll Rand Inc.
8/23/2022	Fischer Process Industries	Tencarva Machinery Company
8/8/2022	Ransom Pump & Supply	PumpMan LLC
8/1/2022	Hydro Prokav Pumps India Pvt.	Ingersoll Rand Inc.
7/26/2022	Calpeda SpA	Wateralia SpA
7/11/2022	Strate Technologie FÜR Abwasser Gmbh	DÜKer Gmbh
7/4/2022	PG Flow Solutions AS	Gjerdrum Family

**TABLE IV: SELECTED FILTER M&A TRANSACTIONS: 3Q 2022<sup>(1)</sup>**

Announced Date	Target	Acquirer(s)
9/2/2022	National Air Filter Service, Inc.	American Air Filter Company, Inc.
8/30/2022	Linter Filtros Industriais Ltda.	Hengst SE
8/12/2022	Enviro Technologies U.S., Inc.	Banner Midstream Corp.
7/29/2022	Hydro Air Research Italia srl	GMM Pfaudler Ltd.
7/29/2022	RoboVent, Inc.	Nederman Holding AB

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

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# Public Equity and Valuation Analysis

BY DAVID A. KAKAREKA

## Wall Street Valve Watch

The JKC Valve Stock Index was down 22.3% over the last 12 months, while the broader S&P 500 Index was down 17.7%.

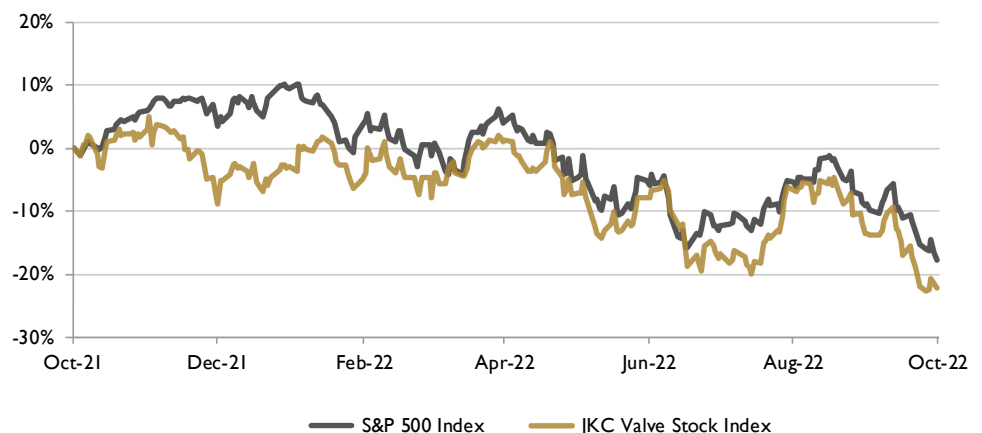
Through September, natural gas production averaged record volumes (over 96 billion cubic feet per day), up 4% from last year and up 2.2% from 2019 annual production. In September, strong natural gas production and reduced seasonal demand led to more natural gas injections into underground storage and lower natural gas spot prices. Injections into U.S. working natural gas storage in the lower 48 states during the 2022 injection season (April through October) brought storage levels back near historical averages.<sup>(1)</sup>

The U.S. Energy Information Association forecasts record U.S. natural gas consumption this year. It is expected that natural gas consumption will increase in all end-use sectors, with the electric power sector growing by 4% in 2022. The electric power sector uses more natural gas than any other end-use sector. Despite a large increase in natural gas prices this year, natural gas consumption in the electric power sector increased 7% in the first eight months of 2022, compared with the first eight months of 2021.

The Henry Hub natural gas price averaged \$6.41 per million British thermal units (MMBtu) in the first eight months of 2022, compared with \$3.43/MMBtu in 2021 and \$1.86/MMBtu in 2020. The Henry Hub natural gas spot price fell more than 30% throughout September, averaging \$9.38 per million British thermal units (MMBtu) on September 1st and \$6.40/MMBtu on September 30th.

On Wall Street, the Dow Jones Industrial Average and the S&P 500 Index fell 8.8% and 9.3%, respectively, while the Nasdaq Composite lost 10.5% in September. All three indices posted their second straight monthly losses. Inflation numbers came in stronger than expected in August despite the Federal Reserve Bank's efforts to bring down prices, implying that they could further tighten monetary policy until there are signs of inflation cooling off.

**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.

**The Henry Hub natural gas spot price fell more than 30% throughout September ...**



### Valve Companies

As shown in Tables V and VI, as of September 30, 2022, domestic and international Valve companies were trading at median total enterprise value / latest twelve months (“TEV/LTM”) EBITDA multiples of 11.1x and 8.3x, respectively, while both groups have median EBITDA margins of 19.3% and 12.6%, respectively. The median stock price as a percentage of the 52-week high for both groups is 68% and 70%, 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 9/30/2022	% 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)	\$554	\$118	21.3%	\$92.39	82.2%	\$2,704	\$2,612	4.7x	22.2x	(0.9x)
CIRCOR International Inc. (CIR)	772	91	11.8	16.49	45.2	336	802	1.0	8.8	5.1
Crane Co. (CR)	3,148	601	19.1	87.54	76.2	4,911	5,245	1.7	8.7	1.4
Curtiss-Wright Corp. (CW)	2,466	540	21.9	139.16	85.4	5,343	6,507	2.6	12.0	2.5
Dover Corp. (DOV)	8,358	1,726	20.7	116.58	63.3	16,362	19,176	2.3	11.1	1.9
Emerson Electric Co. (EMR)	19,629	4,805	24.5	73.22	72.9	43,295	58,870	3.0	12.3	1.9
Flowserve Corp. (FLS)	3,496	353	10.1	24.30	63.3	3,176	4,224	1.2	12.0	3.2
General Electric Co. (GE)	75,072	8,610	11.5	61.91	53.3	67,888	86,892	1.2	10.1	1.9
Honeywell International Inc. (HON)	34,937	8,819	25.2	166.97	73.1	112,486	124,558	3.6	14.1	1.1
ITT Corporation (ITT)	2,835	555	19.6	65.34	61.9	5,404	5,522	1.9	10.0	0.2
Mueller Water Products, Inc. (MWA)	1,247	193	15.5	10.27	59.1	1,609	1,928	1.5	10.0	1.7
Parker Hannifin Corporation (PH)	16,332	3,734	22.9	242.31	71.3	31,127	42,192	2.6	11.3	3.6
Schlumberger Limited (SLB)	26,438	6,706	25.4	35.90	72.0	50,777	62,108	2.3	9.3	1.5
TechnipFMC plc (FTI)	6,529	1,070	16.4	8.46	89.1	3,826	5,538	0.8	5.2	1.4
Watts Water Technologies, Inc. (WTS)	1,952	372	19.1	125.73	59.3	4,188	4,159	2.1	11.2	(0.1)
Xylem Inc. (XYL)	5,339	938	17.6	87.36	65.1	15,741	17,107	3.2	18.2	1.3
<b>Median</b>			<b>19.3%</b>		<b>68.2%</b>			<b>2.2x</b>	<b>11.1x</b>	<b>1.6x</b>
<b>Mean</b>			<b>18.9</b>		<b>68.3</b>			<b>2.2</b>	<b>11.6</b>	<b>1.7</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/22.

(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 9/30/2022	% 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)	\$3,023	\$542	17.9%	\$33.11	56.5%	\$3,662	\$4,343	1.4x	8.0x	1.3x
Alfa Laval AB (ALFA)	4,001	797	19.9	25.07	71.2	10,362	11,260	2.8	14.1	1.5
Georg Fischer AG (GF)	3,952	453	11.5	48.50	63.9	3,969	4,076	1.0	9.0	0.1
Hisaka Works Ltd. (6247)	218	23	10.5	5.63	92.4	159	53	0.2	2.3	(4.7)
Hitachi Ltd. (6501)	72,342	7,390	10.2	42.26	82.0	40,394	61,122	0.8	8.3	1.5
IMI plc (IMI)	2,152	421	19.6	12.47	59.6	3,229	4,074	1.9	9.7	2.2
Kitz Corp. (6498)	1,034	121	11.7	5.54	95.7	497	588	0.6	4.9	0.7
KSB Aktiengesellschaft (KSB)	2,333	213	9.1	333.40	70.0	549	593	0.3	2.8	(0.8)
Kubota Corp. (6326)	16,282	1,847	11.3	13.85	75.3	16,471	26,227	1.6	14.2	5.3
Lupatech S.A. (LUPA3)	20	(22)	(109.0)	0.76	49.9	22	44	2.2	NM	(1.1)
Okano Valve Manufacturing Co. (6492)	46	6	13.1	19.64	69.6	32	16	0.4	2.7	(3.4)
Saint Gobain (SGO)	46,587	6,600	14.2	36.33	55.2	18,794	27,333	0.6	4.1	1.3
SMC Corp. (6273)	5,225	1,794	34.3	402.39	73.5	26,292	21,324	4.1	11.9	(2.7)
Spirax-Sarco Engineering plc (SPX)	1,617	447	27.7	115.89	60.4	8,533	8,829	5.5	19.7	0.7
The Weir Group PLC (WEIR)	2,372	423	17.8	15.67	72.6	4,069	5,152	2.2	12.2	2.8
Velan, Inc. (VLN)	380	46	12.1	4.40	56.4	95	77	0.2	1.7	(0.1)
<b>Median</b>			<b>12.6%</b>		<b>69.8%</b>			<b>1.2x</b>	<b>8.3x</b>	<b>0.7x</b>
<b>Mean</b>			<b>8.2</b>		<b>69.0</b>			<b>1.6</b>	<b>8.4</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 9/30/22.

(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 down 26.3% over the last twelve months, while the S&P 500 Index was down 17.7% over the same time period.

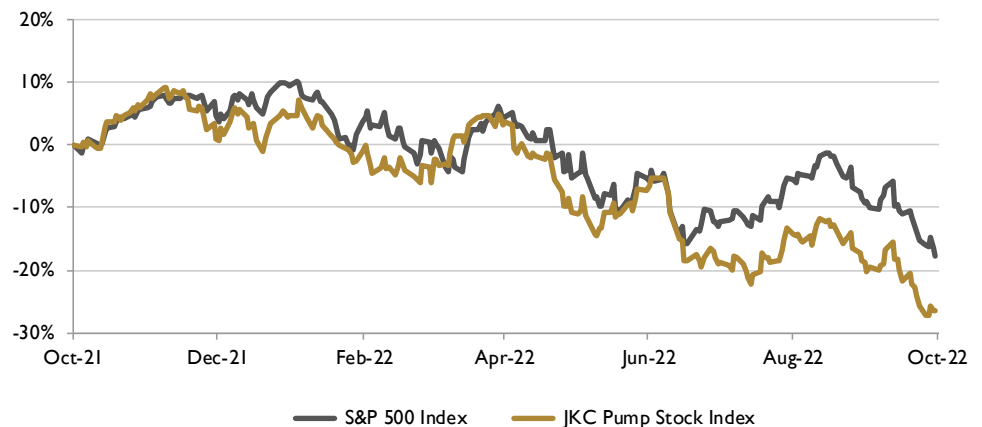
The Institute for Supply Management's Manufacturing Report On Business® Purchasing Managers Index (PMI)® fell to 50.9%, a figure that is still in expansion territory, but marks the slowest pace of growth in the pandemic. The New Orders Index, which fell 4.2 percentage points to 47.1%, has been wavering between expansion and contraction over the past four months and points to slower growth ahead. The Prices Index has fallen in recent months to 51.7% in September from a reading of over 80% four months ago. Some prices may still be growing, but many categories are lower. At 50.6%, the Production Index remained relatively the same. The Employment Index dropped 5.5 percentage points to 48.7%, falling back into contraction territory.<sup>(1)</sup>

New orders for durable goods came in slightly better than expected in August declining just 0.2%. While the manufacturing sector still looks to be losing momentum, activity is not falling off a cliff. Core capital goods orders, which excludes defense and aircraft, rose 1.3%, the fastest pace in eight months.

The U.S. Bureau of Labor Statistics reported total nonfarm payroll employment increased by 315,000 jobs in August, and the unemployment rate rose to 3.7%. Notable job gains occurred in professional and business services, healthcare and retail trade. However, this marked the lowest monthly jobs gain since April 2021. Manufacturing employment continued to trend up, gaining 22,000 jobs, with increases in durable goods industries of 19,000. Manufacturing has added 461,000 jobs over the year.

On Wall Street, the Dow Jones Industrial Average and the S&P 500 Index fell 8.8% and 9.3%, respectively, while the Nasdaq Composite lost 10.5% in September. All three indices posted their second straight monthly losses. Inflation numbers came in stronger than expected in August despite the Federal Reserve Bank's efforts to bring down prices, implying that they could further tighten monetary policy until there are signs of inflation cooling off.

**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.

**Manufacturing has  
added 461,000 jobs  
over the year.**

## 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 12.0x and 7.7x, respectively, as of September 30, 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 0.1x 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 9/30/2022	% 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)	\$381	\$21	5.6%	\$3.68	55.2%	\$71	\$166	0.4x	7.8x	4.2x
Baker Hughes Inc. (BKR)	20,736	3,484	16.8	20.96	52.7	21,206	24,176	1.2	6.9	0.8
Crane Co. (CR)	3,148	601	19.1	87.54	76.2	4,911	5,245	1.7	8.7	1.4
Curtiss-Wright Corp. (CW)	2,466	540	21.9	139.16	85.4	5,343	6,507	2.6	12.0	2.5
Danaher Corp. (DHR)	31,250	11,233	35.9	258.29	77.9	187,892	206,745	6.6	18.4	1.3
Dover Corp. (DOV)	8,358	1,726	20.7	116.58	63.3	16,362	19,176	2.3	11.1	1.9
Energy Recovery, Inc. (ERII)	117	26	21.8	21.74	83.0	1,213	1,142	9.8	44.8	(2.8)
Flowserve Corp. (FLS)	3,496	353	10.1	24.30	63.3	3,176	4,224	1.2	12.0	3.2
Franklin Electric Co. Inc. (FELE)	1,987	315	15.8	81.71	84.3	3,782	4,112	2.1	13.1	0.9
General Electric Co. (GE)	75,072	8,610	11.5	61.91	53.3	67,888	86,892	1.2	10.1	1.9
Gorman-Rupp Co. (GRC)	469	53	11.4	23.79	50.5	621	1,037	2.2	19.4	7.8
Graco Inc. (GGG)	2,128	631	29.6	59.95	73.9	10,138	9,888	4.6	15.7	(0.4)
IDEX Corp. (IEX)	3,086	897	29.1	199.85	83.2	15,084	15,788	5.1	17.6	0.6
Illinois Tool Works Inc. (ITW)	15,640	4,134	26.4	180.65	72.3	55,933	62,695	4.0	15.2	1.7
Ingersoll-Rand Co. Ltd. (IR)	5,711	1,235	21.6	43.26	69.1	17,442	18,990	3.3	15.4	1.1
ITT Corporation (ITT)	2,835	555	19.6	65.34	61.9	5,404	5,522	1.9	10.0	0.2
National Oilwell Varco, Incorporated (NOV)	6,681	651	9.7	16.18	67.2	6,356	7,580	1.1	11.7	2.1
Pentair, Inc. (PNR)	4,108	802	19.5	40.63	50.7	6,682	7,539	1.8	9.4	2.9
Roper Technologies Inc. (ROP)	6,142	2,413	39.3	359.64	71.2	38,125	42,703	7.0	17.7	2.0
Schlumberger Limited (SLB)	26,438	6,706	25.4	35.90	72.0	50,777	62,108	2.3	9.3	1.5
Standex International Corp. (SXI)	740	146	19.8	81.65	67.2	978	1,087	1.5	7.4	0.8
Weatherford International Ltd. (WFRD)	4,087	780	19.1	32.29	80.4	2,278	4,028	1.0	5.2	2.1
Xylem Inc. (XYL)	5,339	938	17.6	87.36	65.1	15,741	17,107	3.2	18.2	1.3
<b>Median</b>			<b>19.6%</b>		<b>69.1%</b>			<b>2.2x</b>	<b>12.0x</b>	<b>1.5x</b>
<b>Mean</b>			<b>20.3</b>		<b>68.7</b>			<b>3.0</b>	<b>13.8</b>	<b>1.7</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/22.

(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 9/30/2022	% 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)	\$4,001	\$797	19.9%	\$25.07	71.2%	\$10,362	\$11,260	2.8x	14.1x	1.5x
Andritz AG (ANDR)	6,623	596	9.0	42.79	85.7	4,245	3,599	0.5	6.0	(1.0)
DMW Corp. (6365)	159	21	12.9	20.70	80.9	88	16	0.1	0.8	(2.9)
Ebara Corp. (6361)	4,434	585	13.2	32.73	68.1	3,012	2,901	0.7	5.0	0.0
FLSmidth & Co. A/S (FLS)	2,573	206	8.0	21.86	60.7	1,240	1,167	0.5	5.7	0.6
Gevelot SA (ALGEV)	122	13	10.4	169.64	88.7	131	(7)	NM	NM	(10.7)
GUD Holdings Ltd. (GUD)	538	113	21.0	4.77	56.3	673	1,062	2.0	9.4	3.7
Hyundai Heavy Industries Co. Ltd. (A329180)	6,627	(408)	(6.1)	80.08	71.2	7,109	8,180	1.4	NM	(3.2)
John Wood Group plc (WG)	5,854	319	5.4	1.42	49.9	961	2,894	0.5	9.1	6.6
Kirloskar Brothers Ltd. (500241)	395	29	7.3	4.22	80.3	335	333	0.8	11.6	0.1
KSB Aktiengesellschaft (KSB)	2,333	213	9.1	333.40	70.0	549	593	0.3	2.8	(0.8)
Kubota Corp. (6326)	16,282	1,847	11.3	13.85	75.3	16,471	26,227	1.6	14.2	5.3
Nikkiso Co. Ltd. (6376)	1,228	65	5.3	6.28	85.0	441	1,314	1.1	20.3	4.1
Pfeiffer Vacuum Technology AG (PFV)	805	144	17.9	121.59	55.9	1,229	1,198	1.5	8.3	(0.1)
SKF AB (SKF B)	7,900	1,103	14.0	13.53	64.0	6,174	7,417	0.9	6.7	1.1
Spirax-Sarco Engineering plc (SPX)	1,617	447	27.7	115.89	60.4	8,533	8,829	5.5	19.7	0.7
Sulzer, Ltd. (SUN)	3,237	295	9.1	58.33	58.2	1,975	2,273	0.7	7.7	1.0
Teikoku Electric Mfg.Co.,Ltd. (6333)	162	28	17.5	12.69	89.3	238	143	0.9	5.1	(3.7)
The Weir Group PLC (WEIR)	2,372	423	17.8	15.67	72.6	4,069	5,152	2.2	12.2	2.8
Torishima Pump Manufacturing Co. Ltd. (6363)	361	46	12.7	9.22	89.2	243	209	0.6	4.6	(0.1)
Tsurumi Manufacturing Co. Ltd. (6351)	373	46	12.4	15.83	97.5	391	268	0.7	5.8	(2.6)
<b>Median</b>			<b>12.4%</b>		<b>71.2%</b>			<b>0.9x</b>	<b>7.7x</b>	<b>0.1x</b>
<b>Mean</b>			<b>12.2</b>		<b>72.9</b>			<b>1.3</b>	<b>8.9</b>	<b>0.1</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/22.

(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 27.4% over the last twelve months, while the S&P 500 Index was down 17.7%.

September housing starts dropped 8.1% from August, and were down 7.7% from a year ago, led by a 13.1% decline in multi-unit projects, which had a gain of more than 30% the month before. New single-family home projects fell 4.7% to an annual rate of 892,000, the lowest level since May 2020. Permits issued for new single-family houses fell 3.1% from August, to the lowest level since June 2020. September mortgage rates were more than double what they were at the beginning of the year as the Federal Reserve continued to hike interest rates in an effort to curb inflation. The Federal Reserve's aggressive monetary policy tightening has significantly weakened the housing market. While single-unit starts have collapsed under the weight of higher mortgage rates, rental demand continues to be very strong.<sup>(1)</sup>

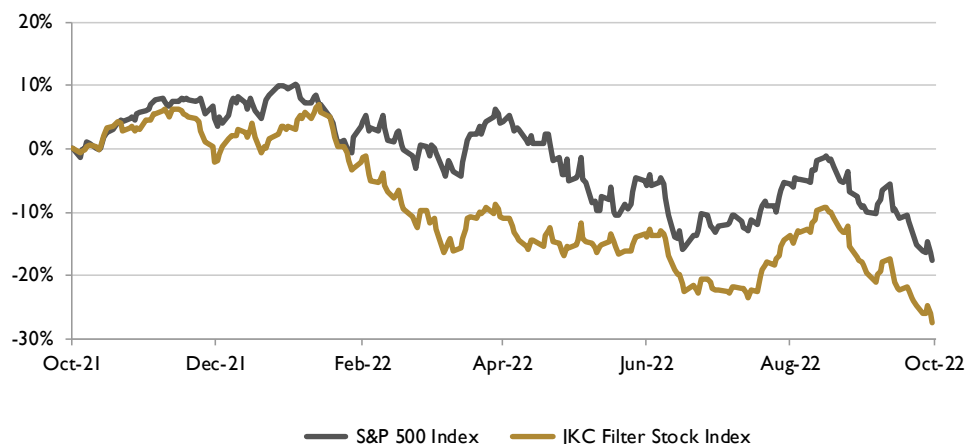
U.S. new vehicle sales fell slightly in the third quarter, although some automakers reported improvement in September. Sales fell 0.9% from July through September, with most automakers reporting declines. In September sales rose as shortages of computer chips and other parts started to ease and auto factories were able to produce more, increasing vehicle supplies.

General Motors led the industry for the quarter, selling 24% more over last year. Honda sales were down 17% in September from a year ago and off 36% for the quarter, still September was its best sales month since May. Toyota sold 7.1% fewer vehicles than in last year's third quarter, and Stellantis reported a 6% decline, while Nissan was off nearly 23%. Hyundai reported a sales increase of 3.3% for the quarter, and Volkswagen was up 12%.

On Wall Street, the Dow Jones Industrial Average and the S&P 500 Index fell 8.8% and 9.3%, respectively, while the Nasdaq Composite lost 10.5% in September. All three indices posted their second straight monthly losses. Inflation numbers came in stronger than expected in August despite the Federal Reserve Bank's efforts to bring down prices, implying that they could further tighten monetary policy until there are signs of inflation cooling off.

**September mortgage rates were more than double what they were at the beginning of the year as the Federal Reserve continued to hike interest rates in an effort to curb inflation.**

**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, 2022, domestic and international Filter companies (listed in Table IX and Table X, respectively) were trading at medians of 11.2x and 7.5x, respectively, of TEV/LTM EBITDA with median LTM EBITDA margins of 19.4% and 13.8%, 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 9/30/2022	% 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)	\$34,762	\$7,419	21.3%	\$110.50	59.3%	\$61,199	\$75,485	2.2x	10.2x	1.8x
CECO Environmental Corp. (CECO)	400	38	9.5	8.85	81.9	305	385	1.0	10.2	2.3
Corning Inc. (GLW)	14,459	3,729	25.8	29.02	66.8	24,531	30,722	2.1	8.2	1.6
Crane Co. (CR)	3,148	601	19.1	87.54	76.2	4,911	5,245	1.7	8.7	1.4
Cummins Inc. (CMI)	26,154	3,769	14.4	203.51	82.2	28,693	31,586	1.2	8.4	1.5
Donaldson Company Inc. (DCI)	3,307	574	17.4	49.01	77.6	6,004	6,503	2.0	11.3	0.9
Eaton Corporation (ETN)	20,166	3,973	19.7	133.36	75.9	53,117	62,618	3.1	15.8	2.2
Entegris, Inc. (ENTG)	2,557	784	30.7	83.02	52.5	12,367	15,584	6.1	19.9	4.1
ESCO Technologies Inc. (ESE)	858	166	19.3	73.44	76.5	1,899	2,090	2.4	12.6	0.5
General Electric Co. (GE)	75,072	8,610	11.5	61.91	53.3	67,888	86,892	1.2	10.1	1.9
Honeywell International Inc. (HON)	34,937	8,819	25.2	166.97	73.1	112,486	124,558	3.6	14.1	1.1
Illinois Tool Works Inc. (ITW)	15,640	4,134	26.4	180.65	72.3	55,933	62,695	4.0	15.2	1.7
Parker Hannifin Corporation (PH)	16,332	3,734	22.9	242.31	71.3	31,127	42,192	2.6	11.3	3.6
Pentair, Inc. (PNR)	4,108	802	19.5	40.63	50.7	6,682	7,539	1.8	9.4	2.9
Watts Water Technologies, Inc. (WTS)	1,952	372	19.1	125.73	59.3	4,188	4,159	2.1	11.2	(0.1)
Xylem Inc. (XYL)	5,339	938	17.6	87.36	65.1	15,741	17,107	3.2	18.2	1.3
<b>Median</b>			<b>19.4%</b>		<b>71.8%</b>			<b>2.2x</b>	<b>11.2x</b>	<b>1.6x</b>
<b>Mean</b>			<b>20.0</b>		<b>68.4</b>			<b>2.5</b>	<b>12.2</b>	<b>1.8</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/22.

(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 9/30/2022	% 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)	4,001	797	19.9	25.07	71.2	10,362	11,260	2.8	14.1	1.5
Amiad Water Systems Ltd. (AMD)	121	18	14.7	4.23	75.4	129	133	1.1	7.5	0.1
Andritz AG (ANDR)	6,623	596	9.0	42.79	85.7	4,245	3,599	0.5	6.0	(1.0)
Asahi Kasei Corp. (3407)	17,613	2,433	13.8	6.60	77.1	9,162	14,024	0.8	5.8	1.9
Daikin Industries Ltd. (6367)	22,655	3,255	14.4	154.09	82.4	45,101	45,126	2.0	13.9	(0.1)
Denso Corp. (6902)	38,522	4,591	11.9	45.52	64.7	34,747	37,045	1.0	8.1	0.3
Faurecia SA (EO)	19,081	1,605	8.4	11.01	22.9	2,169	12,113	0.6	7.5	5.5
FLSmidth & Co. A/S (FLS)	2,573	206	8.0	21.86	60.7	1,240	1,167	0.5	5.7	0.6
GEA Group AG (GIA)	4,785	453	9.5	32.53	68.4	5,688	5,378	1.1	11.9	(0.6)
GUD Holdings Ltd. (GUD)	538	113	21.0	4.77	56.3	673	1,062	2.0	9.4	3.7
Ibiden Co., Ltd. (4062)	2,814	887	31.5	27.37	53.7	3,821	3,564	1.3	4.0	(0.4)
Johnson Matthey plc (JMAT)	17,856	751	4.2	20.42	65.3	3,731	4,690	0.3	6.2	1.5
NGK Insulators Ltd. (5333)	3,543	918	25.9	12.44	87.3	3,877	4,340	1.2	4.7	0.4
Nitto Denko Corp. (6988)	5,986	1,294	21.6	54.12	78.9	8,010	6,175	1.0	4.8	(1.5)
Porvair plc (PRV)	177	25	13.9	5.57	64.8	256	255	1.4	10.4	(0.0)
Sartorius AG (SRT)	3,805	1,255	33.0	294.67	46.1	22,343	24,748	6.5	19.7	1.8
Siemens AG (SIE)	67,513	7,614	11.3	98.92	63.9	78,354	124,382	1.8	16.3	5.2
Toray Industries Inc. (3402)	16,040	1,992	12.4	4.92	87.0	7,876	13,610	0.8	6.8	2.7
<b>Median</b>			<b>13.8%</b>		<b>66.9%</b>			<b>1.1x</b>	<b>7.5x</b>	<b>0.5x</b>
<b>Mean</b>			<b>15.8</b>		<b>67.3</b>			<b>1.5</b>	<b>9.1</b>	<b>1.2</b>

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

(2) Revenues and EBITDA are for the latest twelve months as of 9/30/22.

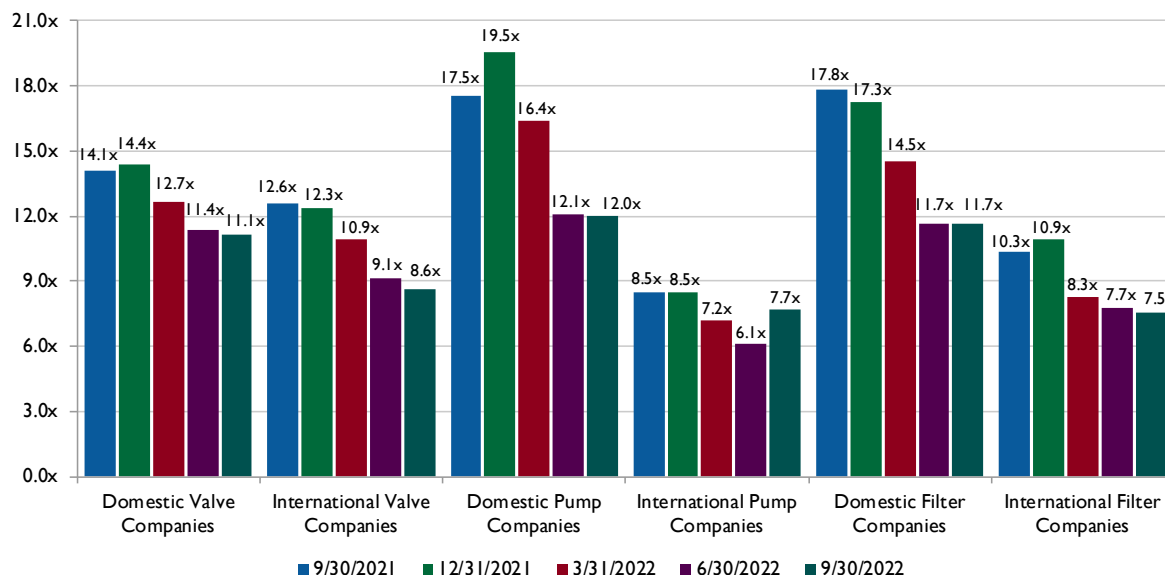
(3) Total enterprise value is defined as market capitalization plus total debt less cash and cash equivalents.

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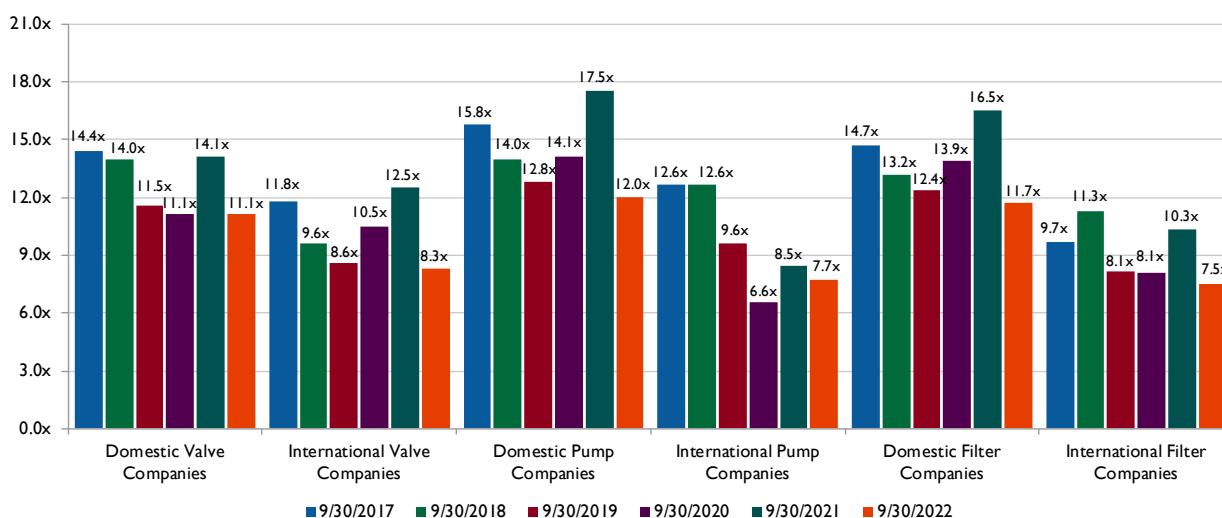
## Valuation Trends over Time

Quarterly TEV/LTM EBITDA valuation multiples are slightly lower than last quarter levels for all companies except international pump companies. Annual multiples for domestic and international companies are much 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>**

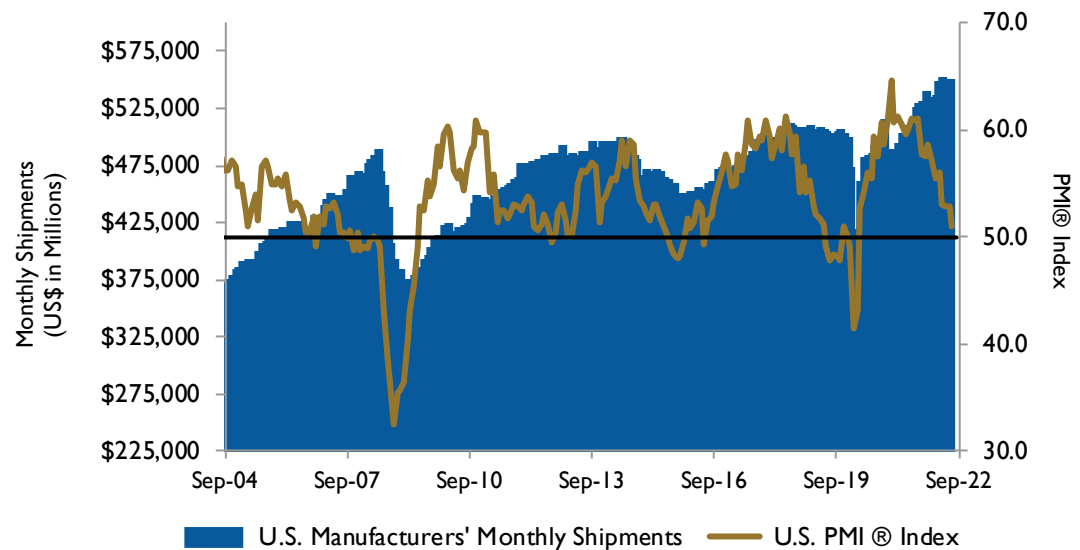


(1) Source: S&P Capital IQ and JKC research.

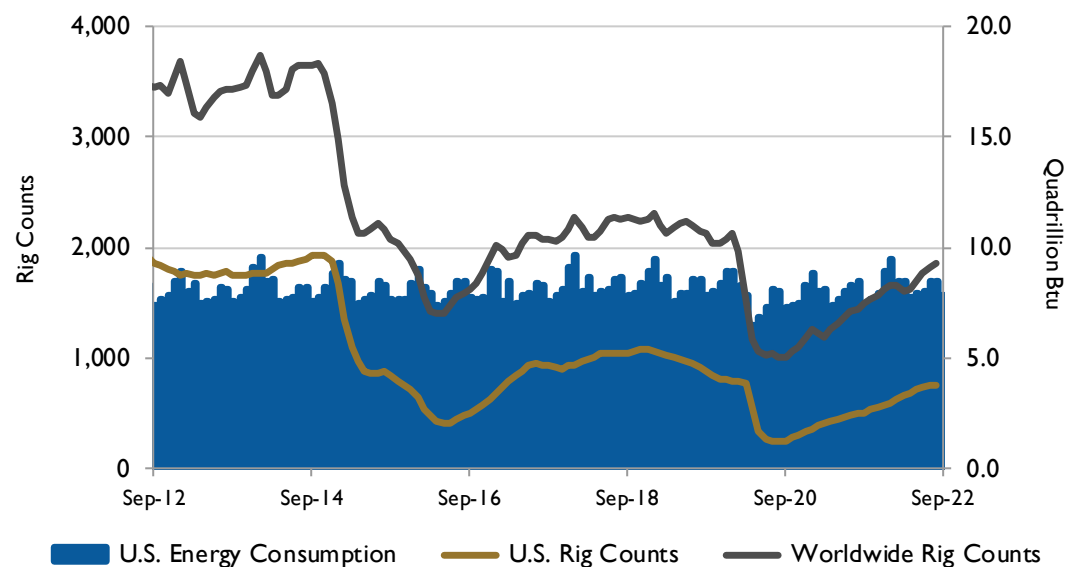
# Economic Indicators — Valves and Pumps<sup>(1)</sup>

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.

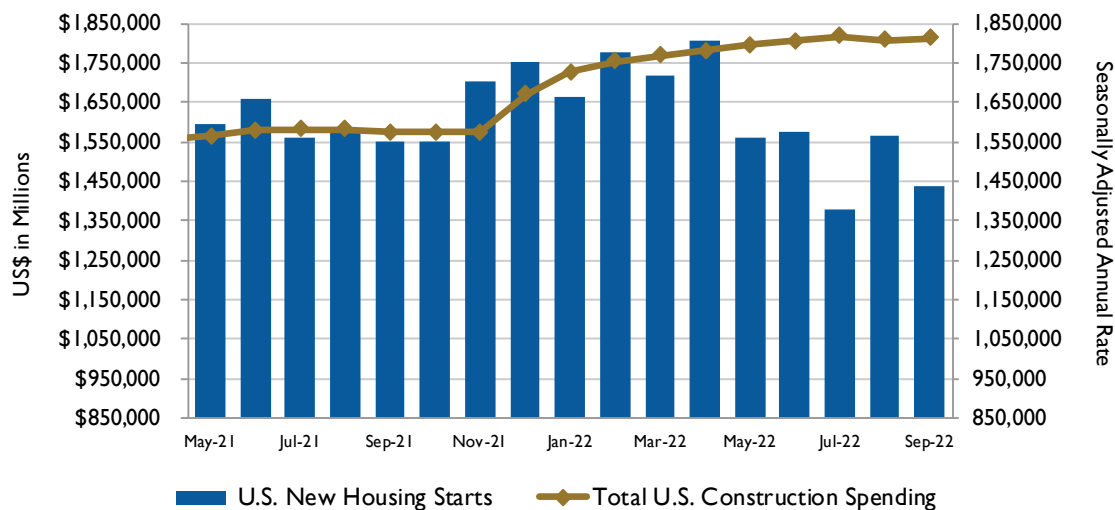
(4) Source: U.S. Energy Information Administration, Short-term Energy Outlook.

(5) Source: Baker Hughes Inc.

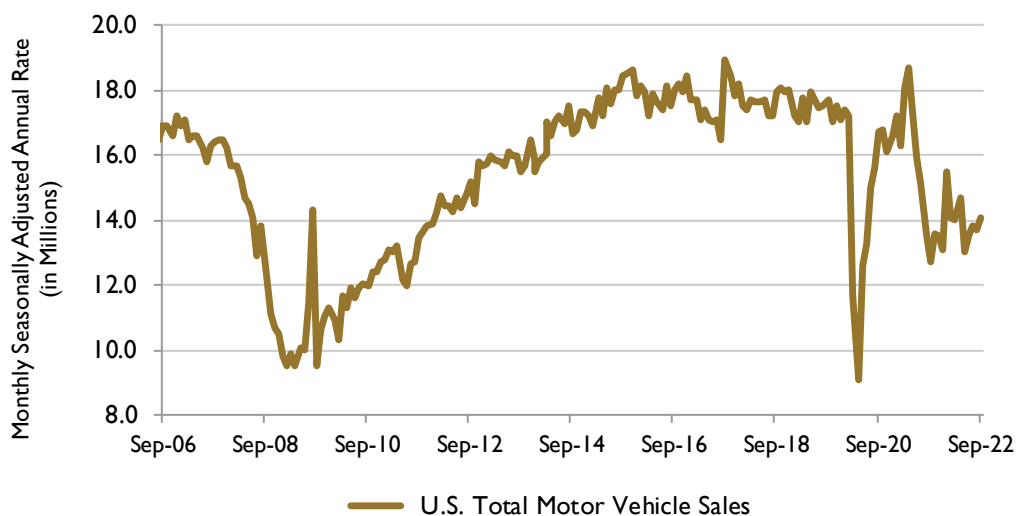
## Economic Indicators – Filters<sup>(1)</sup>

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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