

FLOW CONTROL

Industry In-Sight™

SECOND QUARTER 2023



**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 to view our previous Flow Control quarterly publications, as well as our other industry publications.

If you desire more information about our firm and its mission, please contact any member of our team listed on the back cover of this report. Our website is www.jordanknauff.com and our main telephone number is (312) 254-5900.

... please contact any member of our team listed on the back cover of this report.

Current Events / Trends

BY G. COOK JORDAN, JR.
LORI A. CALLAWAY



KKR Acquires CIRCOR

CIRCOR International, Inc. a designer, manufacturer, and marketer of mission critical flow control products and services for the industrial and aerospace and defense markets, agreed to be acquired by Kravis Kohlberg Roberts & Co. (KKR) through an all-cash transaction valued at \$1.8 billion, which includes the assumption of debt.

Under the terms of the Amended Agreement, in addition to receiving \$56.00 per share, CIRCOR stockholders will, subject to certain conditions, receive additional cash consideration from KKR if the transaction does not close by October 31, 2023. The maximum aggregate amount of the “ticking fee” would be \$1 per share, with the actual amount accruing on a prorated daily basis between November 1, 2023 and December 31, 2023. The offer is an increase of 9.8% over KKR’s bid of \$51.00 per share on June 26, 2023, and a 76.8% premium to CIRCOR’s unaffected stock price on June 2, 2023. The deal is valued at a 14.6x earnings before interest, taxes, depreciation, and amortization (EBITDA) multiple.

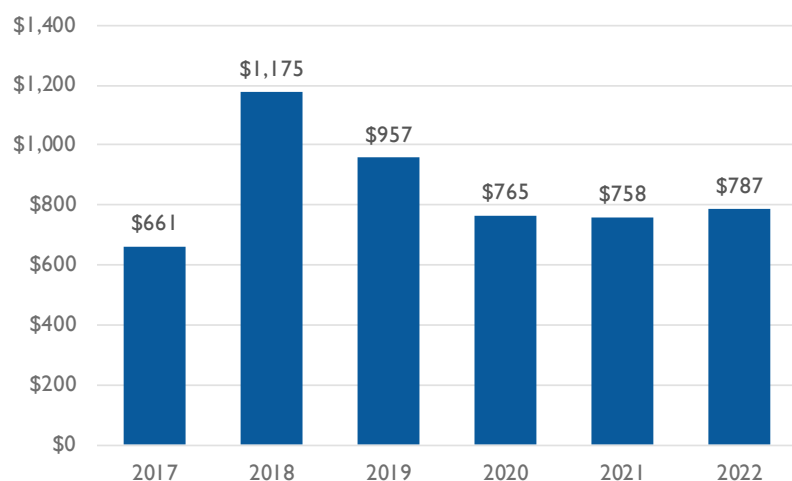
KKR’s offer was increased from the initial amount due to competitive bidding by Arcline Investment Management LP. Although Arcline’s final bid was higher in terms of the final cash component, it was not accepted since KKR agreed to provide a full equity backstop, meaning that it would fund the deal with equity from itself and its fund investors if it could not secure debt financing.

CIRCOR was established in 1999 by Watts Water Technologies, Inc. to independently operate its industrial, oil, and gas businesses. It operates through two segments, Aerospace & Defense and Industrial. The Aerospace & Defense segment manufactures and markets valves, pumps, actuators, motors, switches, and high-pressure pneumatic systems. The segment represents 33% of CIRCOR’s total revenue and operates facilities in North America, the United Kingdom, France, Morocco, and India, with headquarters in Corona, California. The Industrial segment serves the general industrial, power and process, energy, and commercial marine markets. It is headquartered in Radolfzell, Germany, with primary manufacturing centers in North America, England, Germany, India, and China.

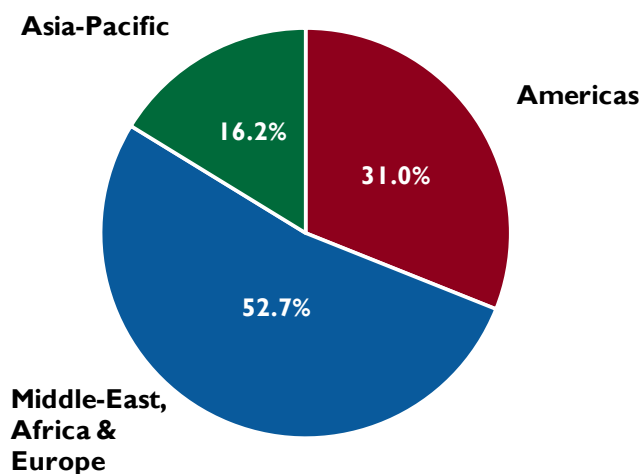
Globally, the company serves more than 14,000 customers in over 100 countries. CIRCOR had revenue of \$787 million in fiscal 2022 and EBITDA of approximately \$123.2 million for the twelve months prior to the acquisition. CIRCOR employs approximately 3,100 people and is headquartered in Burlington, Massachusetts.

Mergers that result in the consolidation of supply chains to the U.S. military are scrutinized heavily by U.S. regulators. Last year, defense contractor Lockheed Martin Corp. abandoned a proposed \$4.4 billion acquisition of engine maker Aerojet Rocketdyne Holdings Inc. after U.S. regulators sued to block it. KKR agreed to a \$125 million break-up fee should the deal fail to win regulatory support.

CIRCOR Historical Sales⁽¹⁾
(\$ millions)



CIRCOR 2021 Revenue by Region⁽¹⁾



(1) CIRCOR International, 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: 2Q 2023⁽¹⁾

| Announced Date | Target | Acquirer(s) |
|----------------|---|----------------------|
| 6/5/2023 | CIRCOR International, Inc. | KKR & Co. Inc. |
| 5/22/2023 | Askalon AB | Momentum Group AB |
| 5/10/2023 | Filtration Business Unit of Celeros Flow Technology | Px3 Partners Limited |

TABLE III: SELECTED PUMP M&A TRANSACTIONS: 2Q 2023⁽¹⁾

| Announced Date | Target | Acquirer(s) |
|----------------|---|----------------------|
| 6/5/2023 | CIRCOR International, Inc. | KKR & Co. Inc. |
| 5/10/2023 | Filtration Business Unit of Celeros Flow Technology | Px3 Partners Limited |
| 4/21/2023 | Ampco Pumps Company, Inc. | Krones AG |
| 4/17/2023 | National Pump & Energy Pvt. Ltd. | Atlas Copco AB |

TABLE IV: SELECTED FILTER M&A TRANSACTIONS: 2Q 2023⁽¹⁾

| Announced Date | Target | Acquirer(s) |
|----------------|--|--|
| 6/13/2023 | Filtration Automation, Inc. | The Middleby Corporation |
| 5/10/2023 | Filtration Business Unit of Celeros Flow Technology | Px3 Partners Limited |
| 5/5/2023 | Yixing Gaoqi Environmental Protection Technology Co., Ltd. | Luyang Energy-Saving Materials Co., Ltd. |
| 4/18/2023 | Airtight Pty. Ltd. | The Environmental Group Limited |
| 4/13/2023 | Safematic A/S | Indutrade AB |
| 4/12/2023 | Precision Air Technology, Inc. | Technical Safety Services, LLC |
| 4/3/2023 | Transcend Solutions, LLC | CECO Environmental Corp. |

(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 22.1% over the last 12 months, while the broader S&P 500 Index was up 16.3%.

Last year, global trade in liquefied natural gas (LNG) set a record high, averaging 51.7 billion cubic feet per day (Bcf/d), a 5% increase compared with 2021. Liquefaction capacity additions, primarily in the United States, drove growth in global LNG trade. At the same time, increased LNG demand in Europe also contributed to trade growth as LNG continued to displace pipeline natural gas imports from Russia.⁽¹⁾

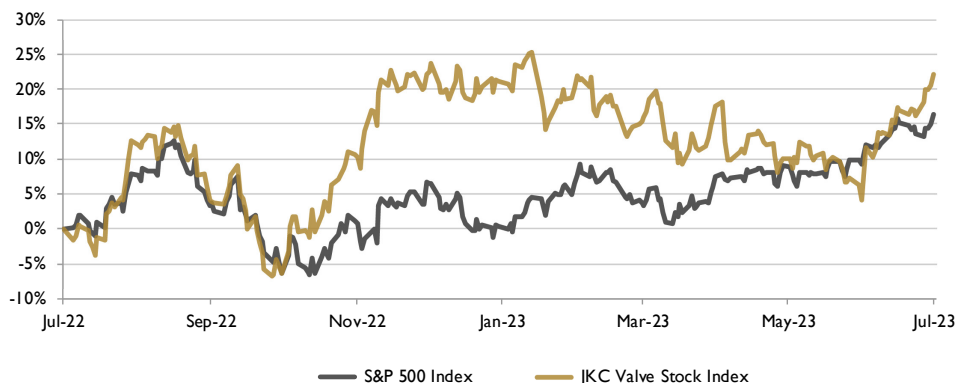
The United States imported 9% more crude oil from Mexico and paid more per barrel in 2022 compared with 2021. The United States did not export any crude oil to Mexico in 2022. As global crude oil prices rose substantially in 2022, the 9% volumetric increase corresponded to a 47% value increase in U.S. crude oil imports from Mexico last year compared with 2021.

Mexico is the largest export market for U.S. petroleum producers; nearly 20% of all U.S. petroleum products were exported to Mexico in 2022. U.S. petroleum product exports to Mexico increased 33% over 2021. Natural gas trade is primarily pipeline shipments from the United States to Mexico. U.S. natural gas exports to Mexico were 4% lower in 2022 than the 2021 average.

On Wall Street for the month of June, the Dow Jones Industrial Average gained 4.6%, the S&P 500 Index rose 6.5% and the Nasdaq Composite gained 6.6%. For the second quarter, The Dow Jones Industrial Average advanced 3.4%, the S&P 500 Index rose 8.3% and the Nasdaq Composite gained 12.8%. The Nasdaq Composite had its best first half since 1983, surging 31.7%. With breakthroughs made in artificial intelligence technology, mega-cap tech stocks contributed the most to the strong market this year. Recent economic data reinforced investors' belief that the economy remains resilient and inflation will continue to come down.

**U.S. petroleum
product exports to
Mexico increased
33% over 2021.**

CHART 1: JKC VALVE STOCK INDEX⁽²⁾



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

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

Valve Companies

As shown in Tables V and VI, as of June 30, 2023, domestic and international Valve companies were trading at median total enterprise value / latest twelve months (TEV/LTM) EBITDA multiples of 12.7x and 8.6x, respectively, while both groups have median EBITDA margins of 20.3% and 13.8%, respectively. The median stock price as a percentage of the 52-week high for both groups is 97% and 95%, respectively, of their 52-week highs. With the exception of a few companies, we believe both groups are fairly well capitalized.

TABLE V: SELECTED DOMESTIC VALVE COMPANIES⁽¹⁾

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

| Company | LTM | | | Stock Price 6/30/2023 | % of 52-Week High | Market Cap | Total Enterprise Value ⁽³⁾ | TEV / LTM | | Net Debt ⁽⁴⁾ EBITDA |
|--------------------------------------|-------------------------|-----------------------|--------------|--------------------------|-------------------------|---------------|---|-------------|--------------|-----------------------------------|
| | Revenues ⁽²⁾ | EBITDA ⁽²⁾ | Margin | | | | | Revenues | EBITDA | |
| Badger Meter Inc. (BMI) | \$630 | \$131 | 20.8% | \$147.56 | 94.5% | \$4,326 | \$4,204 | 6.7x | 32.1x | (1.0x) |
| CIRCOR International Inc. (CIR) | 804 | 131 | 16.3 | 56.45 | 99.9 | 1,151 | 1,637 | 2.0 | 12.5 | 3.7 |
| Crane Co. (CR) | 3,329 | 680 | 20.4 | 89.12 | 72.0 | 5,056 | 5,753 | 1.7 | 8.5 | 0.1 |
| Curtiss-Wright Corp. (CW) | 2,723 | 637 | 23.4 | 183.66 | 99.9 | 7,042 | 8,265 | 3.0 | 13.0 | 1.8 |
| Dover Corp. (DOV) | 8,477 | 1,809 | 21.3 | 147.65 | 91.9 | 20,649 | 23,853 | 2.8 | 13.2 | 1.7 |
| Emerson Electric Co. (EMR) | 20,792 | 5,386 | 25.9 | 90.39 | 90.7 | 51,658 | 66,052 | 3.2 | 12.3 | (0.2) |
| Flowserve Corp. (FLS) | 3,973 | 493 | 12.4 | 37.15 | 95.6 | 4,872 | 5,947 | 1.5 | 12.1 | 2.1 |
| General Electric Co. (GE) | 80,938 | 10,461 | 12.9 | 109.85 | 99.6 | 119,622 | 122,885 | 1.5 | 11.7 | 0.2 |
| Honeywell International Inc. (HON) | 36,147 | 8,989 | 24.9 | 207.50 | 93.9 | 138,077 | 151,551 | 4.2 | 16.9 | 1.5 |
| ITT Corporation (ITT) | 3,059 | 618 | 20.2 | 93.21 | 97.9 | 7,681 | 7,700 | 2.5 | 12.5 | 0.0 |
| Mueller Water Products, Inc. (MWA) | 1,306 | 188 | 14.4 | 16.23 | 98.7 | 2,539 | 2,922 | 2.2 | 15.5 | 1.8 |
| Parker Hannifin Corporation (PH) | 19,065 | 4,506 | 23.6 | 390.04 | 99.3 | 50,041 | 62,899 | 3.3 | 14.0 | 2.8 |
| Schlumberger Limited (SLB) | 31,191 | 8,150 | 26.1 | 49.12 | 78.2 | 70,012 | 80,941 | 2.6 | 9.9 | 1.3 |
| TechnipFMC plc (FTI) | 7,117 | 774 | 10.9 | 16.62 | 98.8 | 7,339 | 9,170 | 1.3 | 11.9 | 2.2 |
| Watts Water Technologies, Inc. (WTS) | 1,994 | 394 | 19.8 | 183.73 | 99.5 | 6,130 | 5,963 | 3.0 | 15.1 | (0.5) |
| Xylem Inc. (XYL) | 6,056 | 1,103 | 18.2 | 112.62 | 95.0 | 26,961 | 28,083 | 4.6 | 25.5 | 1.7 |
| Median | | | 20.3% | | 96.8% | | | 2.7x | 12.7x | 1.6x |
| Mean | | | 19.5 | | 94.1 | | | 2.9 | 14.8 | 1.2 |

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

(2) Revenues and EBITDA are for the latest twelve months as of 6/30/23.

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

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

TABLE VI: SELECTED INTERNATIONAL VALVE COMPANIES⁽¹⁾

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

| Company | LTM | | | Stock Price 6/30/2023 | % of 52-Week High | Market Cap | Total Enterprise Value ⁽³⁾ | TEV / LTM | | Net Debt ⁽⁴⁾ EBITDA |
|--------------------------------------|-------------------------|-----------------------|--------------|--------------------------|-------------------------|---------------|---|-------------|-------------|-----------------------------------|
| | Revenues ⁽²⁾ | EBITDA ⁽²⁾ | Margin | | | | | Revenues | EBITDA | |
| Aalberts Industries NV (AALB) | \$3,526 | \$647 | 18.3% | \$42.06 | 79.4% | \$4,651 | \$5,534 | 1.6x | 8.6x | 1.3x |
| Alfa Laval AB (ALFA) | 5,157 | 967 | 18.8 | 36.43 | 97.3 | 15,057 | 16,309 | 3.2 | 16.9 | 1.5 |
| Georg Fischer AG (GF) | 4,492 | 572 | 12.7 | 75.04 | 94.3 | 6,145 | 6,027 | 1.3 | 10.5 | 0.2 |
| Hisaka Works Ltd. (6247) | 236 | 21 | 8.9 | 6.31 | 91.6 | 178 | 76 | 0.3 | 3.6 | (4.5) |
| Hitachi Ltd. (6501) | 75,258 | 10,523 | 14.0 | 61.53 | 98.4 | 57,614 | 67,476 | 0.9 | 6.4 | 0.7 |
| IMI plc (IMI) | 2,604 | 551 | 21.1 | 20.84 | 97.2 | 5,385 | 6,415 | 2.5 | 11.6 | 1.8 |
| Kitz Corp. (6498) | 1,123 | 130 | 11.6 | 7.50 | 97.4 | 673 | 753 | 0.7 | 5.8 | 0.5 |
| KSB Aktiengesellschaft (KSB) | 2,811 | 267 | 9.5 | 633.19 | 98.3 | 1,046 | 1,080 | 0.4 | 4.0 | (0.6) |
| Kubota Corp. (6326) | 19,830 | 2,369 | 11.9 | 14.52 | 92.1 | 17,119 | 29,201 | 1.5 | 12.3 | 4.9 |
| Lupatech S.A. (LUPA3) | 21 | (8) | (36.9) | 0.66 | 41.2 | 20 | 49 | 2.3 | NM | (3.9) |
| Okano Valve Manufacturing Co. (6492) | 44 | 6 | 13.7 | 18.34 | 65.0 | 29 | 10 | 0.2 | 1.7 | (2.6) |
| Saint Gobain (SGO) | 55,892 | 7,943 | 14.2 | 60.84 | 95.2 | 31,112 | 40,582 | 0.7 | 5.1 | 1.2 |
| SMC Corp. (6273) | 5,704 | 1,964 | 34.4 | 549.71 | 95.1 | 35,458 | 31,257 | 5.5 | 15.9 | (2.0) |
| Spirax-Sarco Engineering plc (SPX) | 2,047 | 537 | 26.2 | 131.72 | 83.3 | 9,694 | 10,655 | 5.2 | 19.9 | 2.0 |
| The Weir Group PLC (WEIR) | 3,142 | 527 | 16.8 | 22.32 | 84.7 | 5,787 | 6,814 | 2.2 | 12.9 | 2.0 |
| Velan, Inc. (VLN) | 381 | 34 | 8.8 | 9.63 | 99.0 | 208 | 191 | 0.5 | 5.7 | (0.8) |
| Median | | | 13.8% | | 94.7% | | | 1.4x | 8.6x | 0.6x |
| Mean | | | 12.8 | | 88.1 | | | 1.8 | 9.4 | 0.1 |

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

(2) Revenues and EBITDA are for the latest twelve months as of 6/30/23.

(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 26.4% over the last twelve months, while the S&P 500 Index was up 16.3% over the same time period.

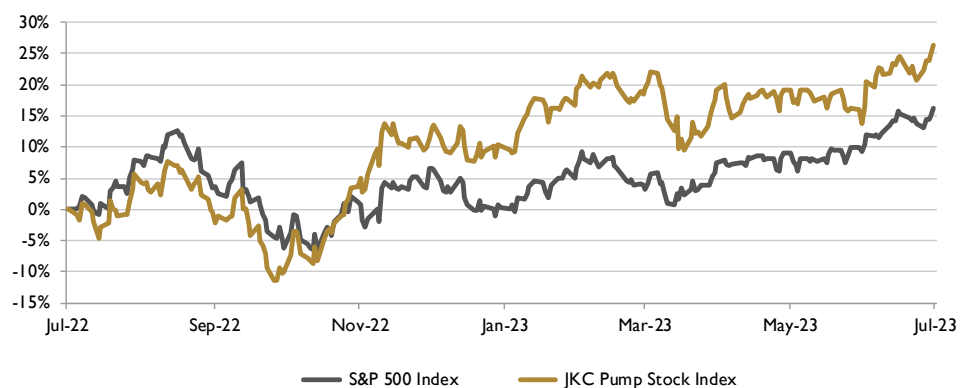
The Institute for Supply Management's Purchasing Managers Index (PMI)® fell to 46.0% in June, showing the manufacturing sector contracted for the eighth consecutive month. Overall production saw one of the largest declines, falling 4.4 points to 46.7%, marking its lowest reading since May 2020. The New Orders Index rose to 45.6%, indicating orders are still contracting but at a slower rate than in May. The Prices Paid Index slipped to 41.8% as manufacturing price growth continued to contract. The Customers' Inventories Index dropped into "too low" territory (46.2% versus 51.4%), a positive sign for future production.⁽¹⁾

Orders for durable goods increased for a third straight month in May gaining 1.7%. The volatile transportation sector helped lift the number. Orders for all transportation equipment rose 3.9%, amid a solid 2.2% gain in motor vehicles and parts as the hard-hit auto sector continues to rebound. Nondefense aircraft orders increased 32.5%, which was consistent with previously released data from Boeing that revealed a pickup in aircraft orders. The gains were somewhat offset by a decline in defense aircraft orders. Excluding transportation, durable orders were up only 0.6%.

Total nonfarm payroll employment increased by 339,000 in May, in line with the average monthly gain of 341,000 over the prior 12 months. May job gains occurred in professional and business services, government, health care, construction, transportation and warehousing, and social assistance.

On Wall Street for the month of June, the Dow Jones Industrial Average gained 4.6%, the S&P 500 Index rose 6.5% and the Nasdaq Composite gained 6.6%. For the second quarter, The Dow Jones Industrial Average advanced 3.4%, the S&P 500 Index rose 8.3% and the Nasdaq Composite gained 12.8%. The Nasdaq Composite had its best first half since 1983, surging 31.7%. With breakthroughs made in artificial intelligence technology, mega-cap tech stocks contributed the most to the strong market this year. Recent economic data reinforced investors' belief that the economy remains resilient and inflation will continue to come down.

CHART II: JKC PUMP STOCK INDEX⁽²⁾



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

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

Pump Companies

Domestic Pump companies (as listed in Table VII) and international Pump companies (in Table VIII) were trading at median TEV/LTM EBITDA multiples of 13.0x and 8.8x, respectively, as of June 30, 2023. As you can see, both groups are leveraged with a median net debt/LTM EBITDA ratio of 1.2x for domestic Pump companies compared to 0.8x 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⁽¹⁾

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

| Company | LTM | | | Stock Price 6/30/2023 | % of 52-Week High | Market Cap | Total Enterprise Value ⁽³⁾ | TEV / LTM | | Net Debt ⁽⁴⁾ EBITDA |
|--|-------------------------|-----------------------|--------------|--------------------------|-------------------------|---------------|---|-------------|--------------|-----------------------------------|
| | Revenues ⁽²⁾ | EBITDA ⁽²⁾ | Margin | | | | | Revenues | EBITDA | |
| Ampco-Pittsburgh Corp. (AP) | \$405 | \$28 | 7.0% | \$3.18 | 66.3% | \$62 | \$179 | 0.4x | 6.3x | 4.1x |
| Baker Hughes Inc. (BKR) | 23,304 | 4,122 | 17.7 | 31.61 | 95.4 | 32,001 | 35,336 | 1.5 | 8.6 | 0.7 |
| Crane Co. (CR) | 3,329 | 680 | 20.4 | 89.12 | 72.0 | 5,056 | 5,753 | 1.7 | 8.5 | 0.1 |
| Curtiss-Wright Corp. (CW) | 2,723 | 637 | 23.4 | 183.66 | 99.9 | 7,042 | 8,265 | 3.0 | 13.0 | 1.8 |
| Danaher Corp. (DHR) | 30,356 | 10,143 | 33.4 | 240.00 | 79.0 | 177,096 | 192,325 | 6.3 | 19.0 | 1.2 |
| Dover Corp. (DOV) | 8,477 | 1,809 | 21.3 | 147.65 | 91.9 | 20,649 | 23,853 | 2.8 | 13.2 | 1.7 |
| Energy Recovery, Inc. (ERII) | 107 | 15 | 14.3 | 27.95 | 94.1 | 1,575 | 1,488 | 13.9 | 97.4 | (5.5) |
| Flowserve Corp. (FLS) | 3,973 | 493 | 12.4 | 37.15 | 95.6 | 4,872 | 5,947 | 1.5 | 12.1 | 2.1 |
| Franklin Electric Co. Inc. (FELE) | 2,095 | 336 | 16.0 | 102.90 | 98.9 | 4,753 | 5,024 | 2.4 | 15.0 | 0.7 |
| General Electric Co. (GE) | 80,938 | 10,461 | 12.9 | 109.85 | 99.6 | 119,622 | 122,885 | 1.5 | 11.7 | 0.2 |
| Gorman-Rupp Co. (GRC) | 631 | 100 | 15.8 | 28.83 | 92.9 | 755 | 1,179 | 1.9 | 11.8 | 4.2 |
| Graco Inc. (GGG) | 2,190 | 690 | 31.5 | 86.35 | 99.5 | 14,536 | 14,289 | 6.5 | 20.7 | (0.5) |
| IDEX Corp. (IEX) | 3,326 | 980 | 29.5 | 215.26 | 87.4 | 16,269 | 17,347 | 5.2 | 17.7 | 1.1 |
| Illinois Tool Works Inc. (ITW) | 16,075 | 4,443 | 27.6 | 250.16 | 98.7 | 76,024 | 83,262 | 5.2 | 18.7 | 1.6 |
| Ingersoll-Rand Co. Ltd. (IR) | 6,455 | 1,543 | 23.9 | 65.36 | 99.4 | 26,439 | 28,174 | 4.4 | 18.3 | 1.0 |
| ITT Corporation (ITT) | 3,059 | 618 | 20.2 | 93.21 | 97.9 | 7,681 | 7,700 | 2.5 | 12.5 | 0.0 |
| National Oilwell Varco, Incorporated (NOV) | 8,017 | 1,226 | 15.3 | 16.04 | 64.6 | 6,315 | 7,983 | 1.0 | 6.5 | 1.5 |
| Pentair, Inc. (PNR) | 4,169 | 962 | 23.1 | 64.60 | 99.6 | 10,656 | 13,108 | 3.1 | 13.6 | 2.2 |
| Roper Technologies Inc. (ROP) | 5,782 | 2,399 | 41.5 | 480.80 | 99.6 | 51,250 | 56,732 | 9.8 | 23.7 | 2.2 |
| Schlumberger Limited (SLB) | 31,191 | 8,150 | 26.1 | 49.12 | 78.2 | 70,012 | 80,941 | 2.6 | 9.9 | 1.3 |
| Standex International Corp. (SXI) | 741 | 153 | 20.6 | 141.47 | 96.0 | 1,684 | 1,709 | 2.3 | 11.2 | 0.1 |
| Weatherford International Ltd. (WFRD) | 4,789 | 1,186 | 24.8 | 66.42 | 94.6 | 4,784 | 6,331 | 1.3 | 5.3 | 1.2 |
| Xylem Inc. (XYL) | 6,056 | 1,103 | 18.2 | 112.62 | 95.0 | 26,961 | 28,083 | 4.6 | 25.5 | 1.7 |
| Median | | | 20.6% | | 95.4% | | | 2.6x | 13.0x | 1.2x |
| Mean | | | 21.6 | | 91.1 | | | 3.7 | 17.4 | 1.1 |

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

(2) Revenues and EBITDA are for the latest twelve months as of 6/30/23.

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

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

TABLE VIII: SELECTED INTERNATIONAL PUMP COMPANIES⁽¹⁾

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

| Company | LTM | | | Stock Price 6/30/2023 | % of 52-Week High | Market Cap | Total Enterprise Value ⁽³⁾ | TEV / LTM | | Net Debt ⁽⁴⁾ EBITDA |
|--|-------------------------|-----------------------|--------------|--------------------------|-------------------------|---------------|---|-------------|-------------|-----------------------------------|
| | Revenues ⁽²⁾ | EBITDA ⁽²⁾ | Margin | | | | | Revenues | EBITDA | |
| Alfa Laval AB (ALFA) | \$5,157 | \$967 | 18.8% | \$36.43 | 97.3% | \$15,057 | \$16,309 | 3.2x | 16.9x | 1.5x |
| Andritz AG (ANDR) | 8,716 | 909 | 10.4 | 55.73 | 76.0 | 5,512 | 4,779 | 0.5 | 5.3 | (0.4) |
| DMW Corp. (6365) | 165 | 21 | 13.0 | 25.04 | 97.8 | 106 | 62 | 0.4 | 2.9 | (3.7) |
| Ebara Corp. (6361) | 4,925 | 693 | 14.1 | 47.47 | 93.4 | 4,382 | 4,522 | 0.9 | 6.5 | (0.2) |
| FLSmidth & Co. A/S (FLS) | 3,395 | 230 | 6.8 | 48.40 | 96.5 | 2,746 | 2,918 | 0.9 | 12.7 | 0.8 |
| Gevelot SA (ALGEV) | 148 | 19 | 12.8 | 201.97 | 89.8 | 153 | 23 | 0.2 | 1.2 | (6.9) |
| GUD Holdings Ltd. (GUD) | 679 | 140 | 20.7 | 5.87 | 85.0 | 827 | 1,230 | 1.8 | 8.8 | 2.5 |
| Hyundai Heavy Industries Co. Ltd. (A329180) | 7,347 | 116 | 1.6 | 99.99 | 87.2 | 8,877 | 10,253 | 1.4 | 88.1 | 15.3 |
| John Wood Group plc (WG) | 5,731 | 276 | 4.8 | 1.72 | 59.2 | 1,165 | 1,959 | 0.3 | 7.1 | 3.6 |
| Kirloskar Brothers Ltd. (500241) | 455 | 50 | 11.0 | 7.44 | 98.9 | 591 | 567 | 1.2 | 11.4 | (0.5) |
| KSB Aktiengesellschaft (KSB) | 2,811 | 267 | 9.5 | 633.19 | 98.3 | 1,046 | 1,080 | 0.4 | 4.0 | (0.6) |
| Kubota Corp. (6326) | 19,830 | 2,369 | 11.9 | 14.52 | 92.1 | 17,119 | 29,201 | 1.5 | 12.3 | 4.9 |
| Nikkiso Co. Ltd. (6376) | 1,226 | 48 | 4.0 | 6.28 | 84.5 | 415 | 745 | 0.6 | 15.4 | 5.9 |
| Pfeiffer Vacuum Technology AG (PFV) | 1,041 | 169 | 16.2 | 162.88 | 84.3 | 1,605 | 1,656 | 1.6 | 9.8 | 0.2 |
| SKF AB (SKF B) | 9,319 | 1,238 | 13.3 | 17.39 | 86.3 | 7,916 | 9,351 | 1.0 | 7.6 | 0.9 |
| Spirax-Sarco Engineering plc (SPX) | 2,047 | 537 | 26.2 | 131.72 | 83.3 | 9,694 | 10,655 | 5.2 | 19.9 | 2.0 |
| Sulzer, Ltd. (SUN) | 3,554 | 311 | 8.8 | 85.94 | 91.1 | 2,899 | 3,189 | 0.9 | 10.3 | 1.1 |
| Teikoku Electric Mfg.Co.,Ltd. (6333) | 197 | 42 | 21.1 | 18.78 | 94.7 | 340 | 241 | 1.2 | 5.8 | (2.4) |
| The Weir Group PLC (WEIR) | 3,142 | 527 | 16.8 | 22.32 | 84.7 | 5,787 | 6,814 | 2.2 | 12.9 | 2.0 |
| Torishima Pump Manufacturing Co. Ltd. (6363) | 447 | 58 | 12.9 | 13.12 | 97.8 | 347 | 375 | 0.8 | 6.5 | (0.4) |
| Tsurumi Manufacturing Co. Ltd. (6351) | 389 | 59 | 15.2 | 17.98 | 97.7 | 441 | 349 | 0.9 | 5.9 | (2.3) |
| Median | | | 12.9% | | 91.1% | | | 0.9x | 8.8x | 0.8x |
| Mean | | | 12.8 | | 89.3 | | | 1.3 | 12.9 | 1.1 |

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

(2) Revenues and EBITDA are for the latest twelve months as of 6/30/23.

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

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

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Wall Street Filter Watch

The JKC Filter Stock Index was up 17.6% over the last twelve months, while the S&P 500 Index was up 16.3%.

Sales of new U.S. single family homes fell in June after three straight monthly increases. New home sales dropped 2.5% to a seasonally adjusted annual rate of 697,000 units. May's sales pace was 715,000 units, the highest since February 2022. With the inventory of existing homes near historically low levels and multiple offers on some properties, potential buyers are seeking out new houses, driving up homebuilding.⁽¹⁾

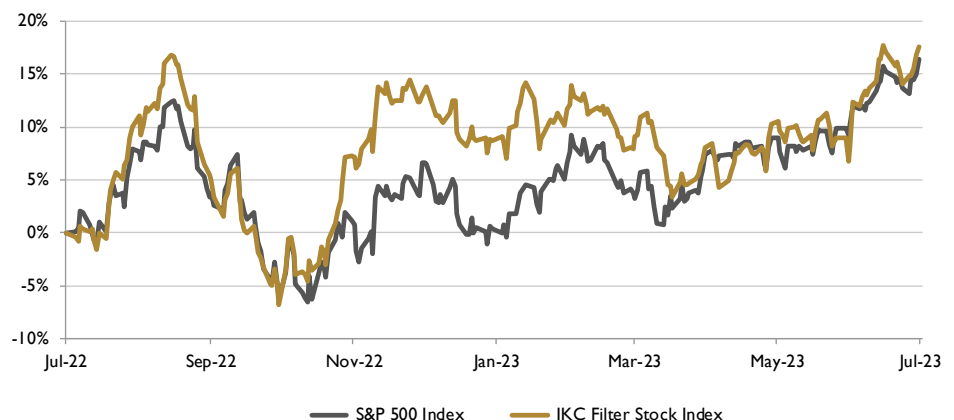
U.S. new vehicle sales in June were 1.37 million units, with an annual sales rate of about 15.7 million. Auto sales rose 16.8% from April through June to just over 4.1 million, fueled by pent-up demand from nearly two years of short supplies due to factories that were affected by the global computer chip shortage. Consumers paid an average of \$45,978 per vehicle in June. That's flat from June of last year, but almost \$1,400 less than in December of 2022 when prices peaked.

General Motors led automakers in second-quarter sales with almost 690,000, a 19% increase over a year ago. Toyota posted sales of 569,000, up 7%. Stellantis sales rose 6% for the quarter, while Nissan sales jumped 33%, and Honda's leaped 45% over poor numbers from a year ago due to parts shortages. Hyundai and Kia sales each rose 15% from a year ago. Subaru sales were up 22%.

On Wall Street for the month of June, the Dow Jones Industrial Average gained 4.6%, the S&P 500 Index rose 6.5% and the Nasdaq Composite gained 6.6%. For the second quarter, The Dow Jones Industrial Average advanced 3.4%, the S&P 500 Index rose 8.3% and the Nasdaq Composite gained 12.8%. The Nasdaq Composite had its best first half since 1983, surging 31.7%. With breakthroughs made in artificial intelligence technology, mega-cap tech stocks contributed the most to the strong market this year. Recent economic data reinforced investors' belief that the economy remains resilient and inflation will continue to come down.

Auto sales rose 16.8% from April through June to just over 4.1 million, fueled by pent-up demand from nearly two years of short supplies ...

CHART III: JKC FILTER STOCK INDEX⁽²⁾



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

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

Filter Companies

As of June 30, 2023, domestic and international Filter companies (listed in Table IX and Table X, respectively) were trading at medians of 13.8x and 9.0x, respectively, of TEV/LTM EBITDA with median LTM EBITDA margins of 20.7% and 13.8%, respectively. With the exception of a few companies, the domestic Filter companies are conservatively capitalized.

TABLE IX: SELECTED DOMESTIC FILTER COMPANIES⁽¹⁾

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

| Company | LTM | | | Stock Price 6/30/2023 | % of 52-Week High | Market Cap | Total Enterprise Value ⁽³⁾ | TEV / LTM | | Net Debt ⁽⁴⁾ EBITDA |
|--------------------------------------|-------------------------|-----------------------|--------------|--------------------------|-------------------------|---------------|---|-------------|--------------|-----------------------------------|
| | Revenues ⁽²⁾ | EBITDA ⁽²⁾ | Margin | | | | | Revenues | EBITDA | |
| 3M Co. (MMM) | \$33,054 | \$7,906 | 23.9% | \$100.09 | 65.7% | \$55,217 | \$68,241 | 2.1x | 8.6x | 1.6x |
| CECO Environmental Corp. (CECO) | 467 | 44 | 9.5 | 13.36 | 79.9 | 462 | 585 | 1.3 | 13.2 | 2.4 |
| Corning Inc. (GLW) | 13,315 | 2,982 | 22.4 | 35.04 | 92.9 | 29,789 | 36,722 | 2.8 | 12.3 | 2.4 |
| Crane Co. (CR) | 3,329 | 680 | 20.4 | 89.12 | 72.0 | 5,056 | 5,753 | 1.7 | 8.5 | 0.1 |
| Cummins Inc. (CMI) | 32,194 | 4,900 | 15.2 | 245.16 | 93.6 | 34,705 | 41,891 | 1.3 | 8.5 | 1.2 |
| Donaldson Company Inc. (DCI) | 3,441 | 614 | 17.8 | 62.51 | 93.4 | 7,579 | 8,015 | 2.3 | 13.1 | 0.7 |
| Eaton Corporation (ETN) | 22,047 | 4,621 | 21.0 | 201.10 | 99.4 | 80,158 | 88,932 | 4.0 | 19.2 | 1.8 |
| Entegris, Inc. (ENTG) | 3,555 | 901 | 25.3 | 110.82 | 96.8 | 16,588 | 21,723 | 6.1 | 24.1 | 5.7 |
| ESCO Technologies Inc. (ESE) | 940 | 185 | 19.7 | 103.63 | 97.5 | 2,669 | 2,846 | 3.0 | 15.4 | 0.8 |
| General Electric Co. (GE) | 80,938 | 10,461 | 12.9 | 109.85 | 99.6 | 119,622 | 122,885 | 1.5 | 11.7 | 0.2 |
| Honeywell International Inc. (HON) | 36,147 | 8,989 | 24.9 | 207.50 | 93.9 | 138,077 | 151,551 | 4.2 | 16.9 | 1.5 |
| Illinois Tool Works Inc. (ITW) | 16,075 | 4,443 | 27.6 | 250.16 | 98.7 | 76,024 | 83,262 | 5.2 | 18.7 | 1.6 |
| Parker Hannifin Corporation (PH) | 19,065 | 4,506 | 23.6 | 390.04 | 99.3 | 50,041 | 62,899 | 3.3 | 14.0 | 2.8 |
| Pentair, Inc. (PNR) | 4,169 | 962 | 23.1 | 64.60 | 99.6 | 10,656 | 13,108 | 3.1 | 13.6 | 2.2 |
| Watts Water Technologies, Inc. (WTS) | 1,994 | 394 | 19.8 | 183.73 | 99.5 | 6,130 | 5,963 | 3.0 | 15.1 | (0.5) |
| Xylem Inc. (XYL) | 6,056 | 1,103 | 18.2 | 112.62 | 95.0 | 26,961 | 28,083 | 4.6 | 25.5 | 1.7 |
| Median | | | 20.7% | | 95.9% | | | 3.0x | 13.8x | 1.6x |
| Mean | | | 20.3 | | 92.3 | | | 3.1 | 14.9 | 1.6 |

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

(2) Revenues and EBITDA are for the latest twelve months as of 6/30/23.

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

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

TABLE X: SELECTED INTERNATIONAL FILTER COMPANIES⁽¹⁾

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

| Company | LTM | | | Stock Price 6/30/2023 | % of 52-Week High | Market Cap | Total Enterprise Value ⁽³⁾ | TEV / LTM | | Net Debt ⁽⁴⁾ EBITDA |
|--------------------------------|-------------------------|-----------------------|--------------|--------------------------|-------------------------|---------------|---|-------------|-------------|-----------------------------------|
| | Revenues ⁽²⁾ | EBITDA ⁽²⁾ | Margin | | | | | Revenues | EBITDA | |
| Alfa Laval AB (ALFA) | 5,157 | 967 | 18.8 | 36.43 | 97.3 | 15,057 | 16,309 | 3.2 | 16.9 | 1.5 |
| Amiad Water Systems Ltd. (AMD) | 116 | 16 | 13.5 | 3.33 | 72.8 | 101 | 122 | 1.1 | 7.8 | 1.4 |
| Andritz AG (ANDR) | 8,716 | 909 | 10.4 | 55.73 | 76.0 | 5,512 | 4,779 | 0.5 | 5.3 | (0.4) |
| Asahi Kasei Corp. (3407) | 18,857 | 2,116 | 11.2 | 6.72 | 88.8 | 9,318 | 14,565 | 0.8 | 6.9 | 2.5 |
| Daikin Industries Ltd. (6367) | 27,538 | 3,880 | 14.1 | 202.41 | 98.4 | 59,249 | 61,400 | 2.2 | 15.8 | 0.4 |
| Denso Corp. (6902) | 44,274 | 5,447 | 12.3 | 66.71 | 99.4 | 49,953 | 52,573 | 1.2 | 9.7 | 0.0 |
| Forvia | 27,793 | 2,194 | 7.9 | 23.55 | 91.6 | 4,638 | 15,191 | 0.5 | 6.9 | 4.0 |
| FLSmidth & Co. A/S (FLS) | 3,395 | 230 | 6.8 | 48.40 | 96.5 | 2,746 | 2,918 | 0.9 | 12.7 | 0.8 |
| GEA Group AG (GIA) | 5,796 | 712 | 12.3 | 41.68 | 86.7 | 7,549 | 7,196 | 1.2 | 10.1 | (0.2) |
| GUD Holdings Ltd. (GUD) | 679 | 140 | 20.7 | 5.87 | 85.0 | 827 | 1,230 | 1.8 | 8.8 | 2.5 |
| Ibiden Co., Ltd. (4062) | 2,888 | 880 | 30.5 | 56.02 | 98.3 | 7,824 | 7,829 | 2.7 | 8.9 | 0.1 |
| Johnson Matthey plc (JMAT) | 18,977 | 803 | 4.2 | 22.19 | 73.2 | 3,823 | 5,136 | 0.3 | 6.4 | 1.6 |
| NGK Insulators Ltd. (5333) | 3,868 | 839 | 21.7 | 11.85 | 84.1 | 3,631 | 3,941 | 1.0 | 4.7 | 0.3 |
| Nitto Denko Corp. (6988) | 6,426 | 1,394 | 21.7 | 73.52 | 97.0 | 10,564 | 8,275 | 1.3 | 5.9 | (1.4) |
| Porvair plc (PRV) | 219 | 32 | 14.7 | 8.06 | 90.6 | 370 | 362 | 1.6 | 11.2 | (0.3) |
| Sartorius AG (SRT) | 4,425 | 1,461 | 33.0 | 278.38 | 61.5 | 21,476 | 24,842 | 5.6 | 17.0 | 2.0 |
| Siemens AG (SIE) | 82,889 | 12,098 | 14.6 | 166.92 | 91.6 | 131,981 | 182,247 | 2.2 | 15.1 | 3.5 |
| Toray Industries Inc. (3402) | 17,217 | 1,566 | 9.1 | 5.54 | 95.8 | 8,868 | 14,374 | 0.8 | 9.2 | 3.2 |
| Median | | | 13.8% | | 91.1% | | | 1.2x | 9.0x | 1.1x |
| Mean | | | 15.4 | | 88.0 | | | 1.6 | 10.0 | 1.2 |

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

(2) Revenues and EBITDA are for the latest twelve months as of 6/30/23.

(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 higher than last quarter levels for filter companies. Annual multiples for domestic and international companies are also generally higher than last year.

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

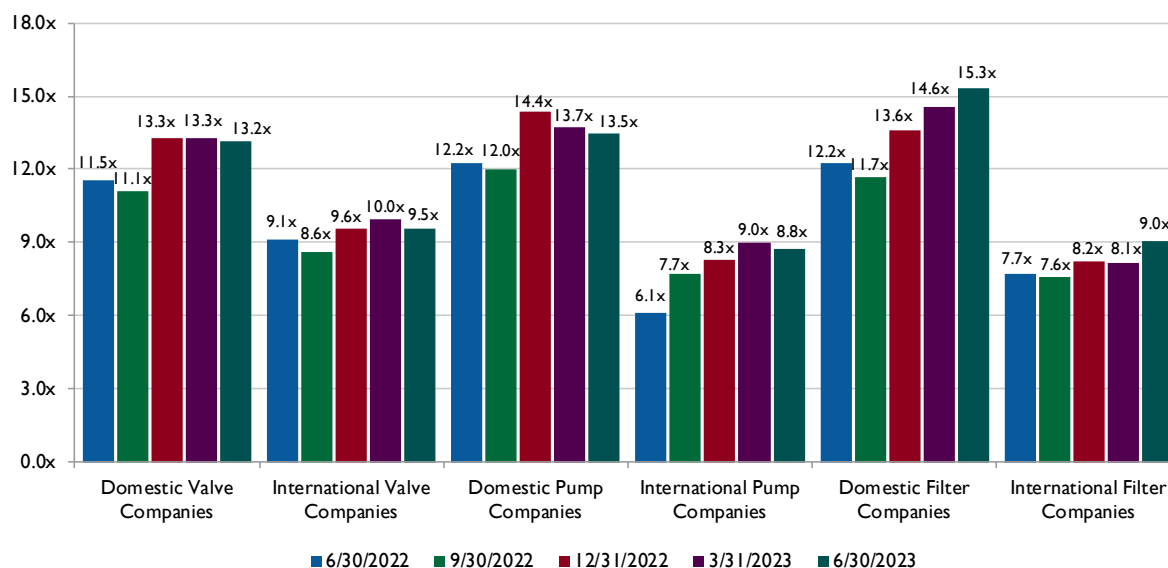
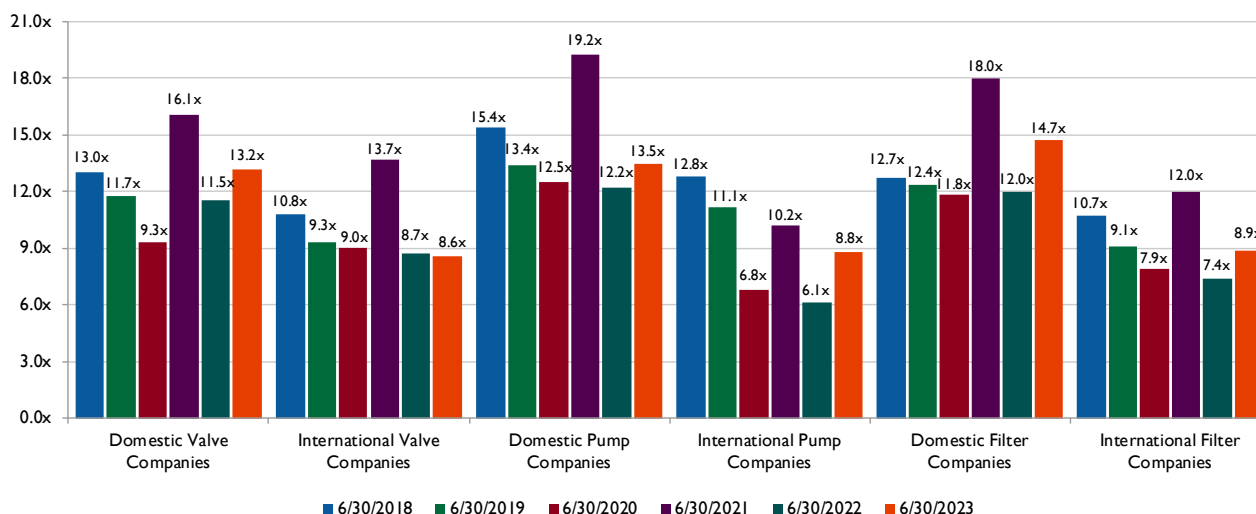


CHART V: ANNUAL MEDIAN TEV/LTM EBITDA VALUATION MULTIPLES⁽¹⁾



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

Economic Indicators — Valves and Pumps⁽¹⁾

BY DAVID A. KAKAREKA

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

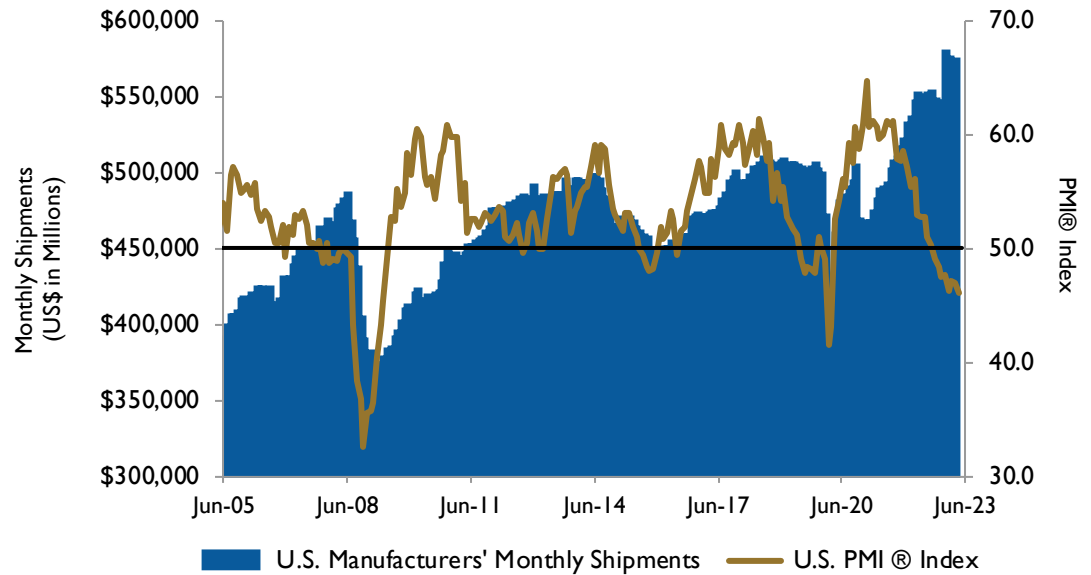
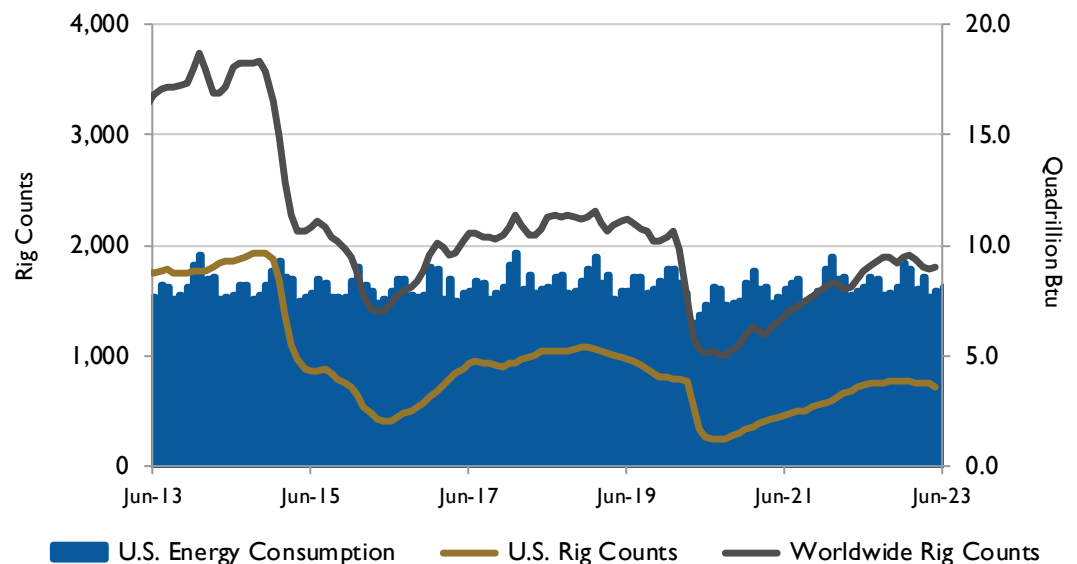


CHART VII: U.S. ENERGY CONSUMPTION⁽⁴⁾ AND RIG COUNTS⁽⁵⁾



(1) Economic indicators used in Public Equity and Valuation Analysis section of this report.

(2) Source: Institute for Supply Management Manufacturing Report on Business®. A PMI Index above 50 represents expansion within the manufacturing sector compared with the prior month.

(3) Source: U.S. Census Bureau; Manufacturers' Shipments, Inventories and Orders Survey.

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

(5) Source: Baker Hughes Inc.

Economic Indicators – Filters⁽¹⁾

BY DAVID A. KAKAREKA

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

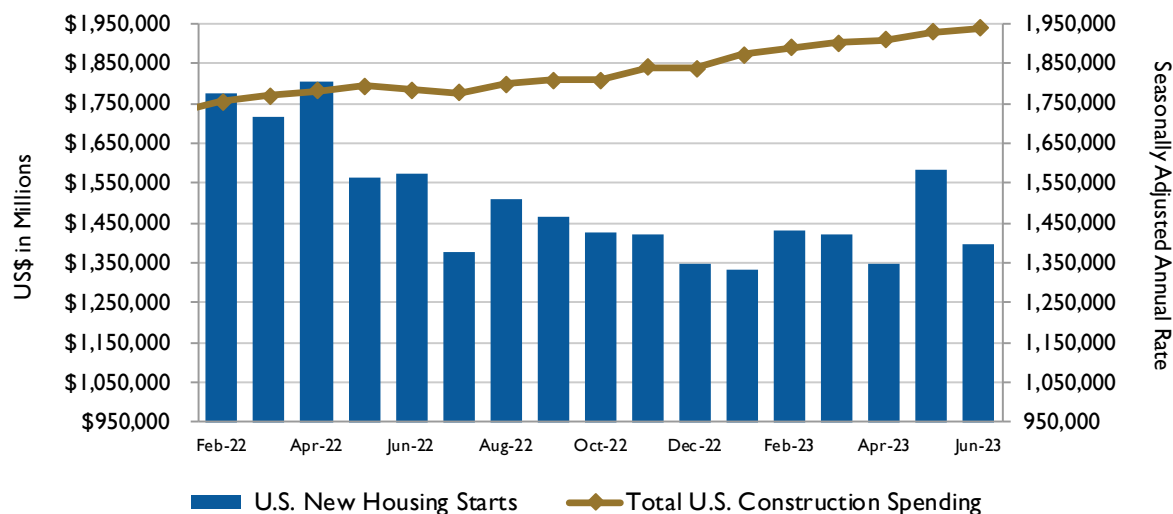
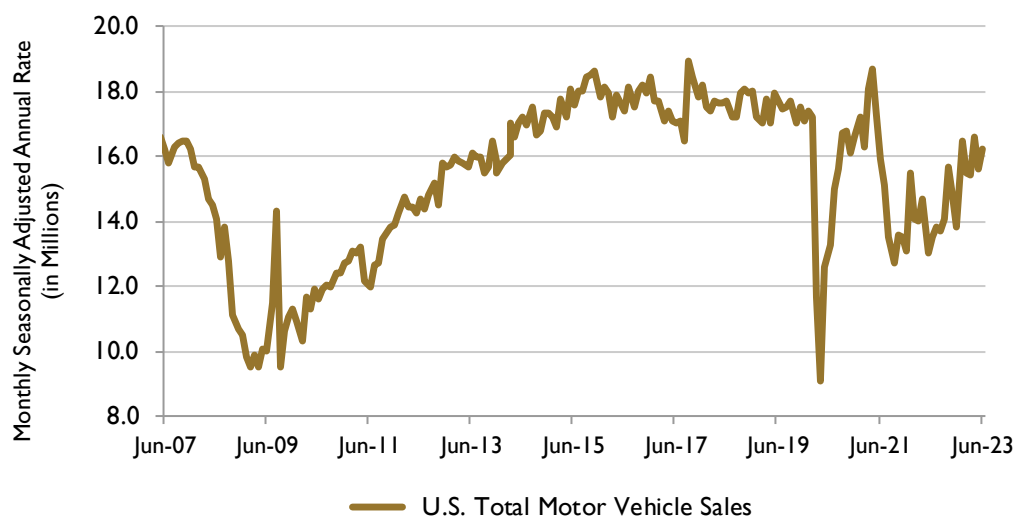


CHART IX: U.S. MOTOR VEHICLE SALES⁽³⁾



(1) Economic indicators used in Public Equity and Valuation Analysis section of this report.

(2) Source: U.S. Census Bureau; Manufacturing, Mining and Construction Statistics.

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

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ABOUT JORDAN KNAUFF & COMPANY

Jordan Knauff & Company was founded in 2001 to undertake a distinct mission: to assemble and maintain a staff of top-notch investment banking personnel and offer their knowledge and experience to provide the best available investment banking services to middle-market companies, the entrepreneurs that lead them and the financial entities that transact with them. On a combined basis, over the course of their careers our employees have completed over 200 transactions as investors, owners, operators, buyers, sellers and investment bankers of middle-market businesses across a variety of industries. The majority of our firm's broad transaction experience has been with private companies owned by one shareholder, a partnership, a family or private equity investors.



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