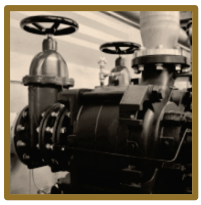
FLOW CONTROL

Industry In-Sight™

THIRD 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.

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Current Events / Trends

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

FLOW CONTROL TRENDS

CECO Acquires Kemco Systems

CECO Environmental Corp. (CECO), a diversified industrial air and water, and energy transition solutions company, acquired Kemco Systems, Co. LLC (Kemko), a custom-water engineering solutions provider on August 23, 2023. Kemco will join CECO's industrial water division post-acquisition.

Kemco, founded in 1969, engages in the design, manufacture, and supply of custom energy and water conservations solutions to laundry, food, ready mix concrete, textile, and automotive industries worldwide. Its equipment and systems have various applications, including water recycling, wastewater treatment, water heating, water distribution and storage, curing solutions, and others. The company is based in Clearwater, Florida.

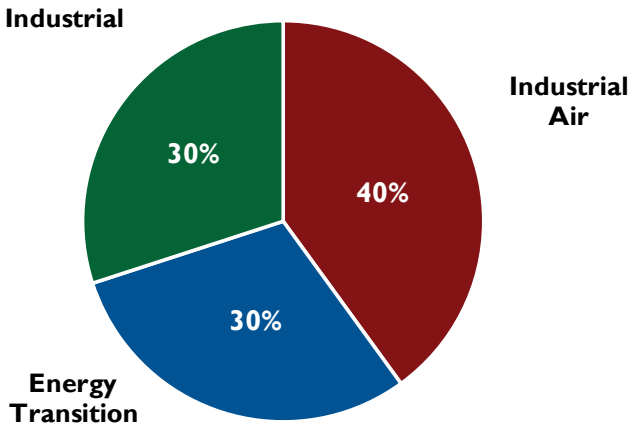
Kemco reported total revenue of $22 million in 2022, a 10.9% decrease from the $25 million it achieved in 2021. The company has a widespread presence, having delivered over 7,000 systems to clients across various sectors, including food, laundry, concrete, industrial, and general industries. Kemco operates two manufacturing facilities, one in Clearwater, Florida, and another in Houston, Texas. It caters to customers not only in the United States but also in the United Kingdom. The company currently has 85 employees.

CECO, founded in 1869, provides critical solutions in industrial air quality, industrial water treatment, and energy transition solutions worldwide. The company operates in two segments: Engineered Systems and Industrial Process Solutions. The company engineers, designs, manufactures, and installs non-metallic expansion joints and flow control products, provides membrane-based industrial water and wastewater treatment systems, dust and fume extraction solutions, and water and wastewater treatment solutions. The company markets its products and services to industrial air pollution control, beverage can, fluid handling, electric vehicle production, food and beverage, semi-conductor, process filtration, pharmaceutical, petrochemical, wastewater treatment, wood manufacturing, desalination, and aquaculture companies. The company is headquartered in Dallas, Texas.

The Kemco acquisition marks the fifth acquisition for Ceco in the last 18 months and is a part of the company's programmatic M&A strategy to expand its presence in the North American industrial water and wastewater treatment market. The company believes the water end market will have significant growth and will contribute almost 30% to its forecasted $525 million revenue. Custom engineered water treatment solutions currently account for nearly 60-65% of the revenue of the industrial water division at CECO.

The acquisition would mean that almost 67% of water end market sales for CECO would come from the United States. According to the company, this is a move that keeps in mind the increase in the market size due to government initiatives like the CHIPS and Science Act that increase industrial production in the United States. The industrial waste water business for CECO stands at $150 million.

CECO Bookings by Segment(1)



(1) CECO Environmental Corp.

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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 2023(1)

Announced Date	Target	Acquirer(s)
9/7/2023	Harrington Industrial Plastics LLC	Bain Capital Private Equity, LP
9/7/2023	Bayard S.A.S/Belgicast International SL	AVK Holding A/S
9/5/2023	Midland Industries, LLC	Gemspring Capital Management, LLC
8/10/2023	Alliance Supply	Russel Metals
8/4/2023	Phönix Armaturen-Werke Bregel Gmbh	Valvosider Srl

TABLE III: SELECTED PUMP M&A TRANSACTIONS: 3Q 2023(1)

Announced Date	Target	Acquirer(s)
9/13/2023	Kemco Systems, Co. LLC	CECO Environmental Corp.
9/12/2023	Penguin Pumps, Inc.	Finish Thompson Inc.
9/7/2023	Harrington Industrial Plastics LLC	Bain Capital Private Equity, LP
8/21/2023	Sykes Group Pty. Ltd.	Atlas Copco AB
8/7/2023	Davey Water Products Pty. Ltd.	Waterco Limited
8/6/2023	Rutschi Group	Newcleo
7/12/2023	Spandau Pumpen	Ebara Pumps Europe

TABLE IV: SELECTED FILTER M&A TRANSACTIONS: 3Q 2023(1)

Announced Date	Target	Acquirer(s)
9/29/2023	Aquarion AG	Gradiant Corporation
9/13/2023	Kemco Systems, Co. LLC	CECO Environmental Corp.
9/12/2023	Penguin Pumps, Inc.	Finish Thompson Inc.
9/11/2023	Amtech LC	Clean Air Industries
9/7/2023	Harrington Industrial Plastics LLC	Bain Capital Private Equity, LP
9/6/2023	APC Filtration, Inc.	Rensa Filtration
9/6/2023	R. P. Fedder Industrial, LLC	Rensa Filtration
9/4/2023	Aqseptence Group GmbH	Oaktree Capital Management, LP
8/14/2023	Koch Separation Solutions, Inc.	Sun Capital Partners, Inc.
7/25/2023	Hydro International Limited	Oldcastle infrastructure, Inc.
7/14/2023	Advanced Filtration Technologies	Micronics Engineered Filtration Group, Inc.
7/6/2023	JL Filtration Inc.	The Mikisew Group of Companies 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 34.7% over the last 12 months, while the broader S&P 500 Index was up 16.6%.

U.S. propane exports have been driving increases in U.S. petroleum product exports for the past four years.

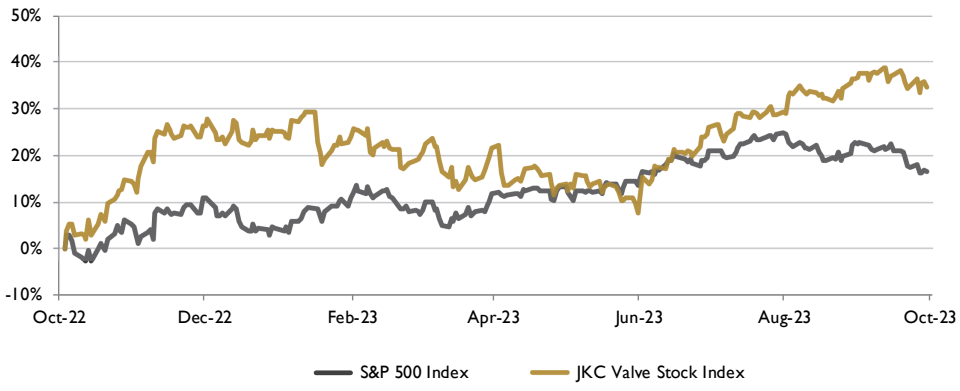
The first half of 2023 saw the most U.S. petroleum product exports during the first six months of any year since 1981. Propane was the most exported U.S. petroleum product, averaging 1.5 million barrels per day and continuing a trend that began in 2020. U.S. propane exports have been driving increases in U.S. petroleum product exports for the past four years. Exports of other major petroleum products such as motor gasoline, distillate fuel oil, and jet fuel all decreased compared with the first half of 2022.(1)

The United States exported more natural gas in the first half of 2023 than it did in the same period of any previous year. Natural gas exports averaged 4% more than in the first half of last year. Liquefied natural gas (LNG) exports drove the continued growth in total natural gas exports, although natural gas exports by pipeline also increased.

A production cut from Saudi Arabia and reduced production targets among OPEC+ countries is expected to keep global oil production below oil consumption next year. As a result, upward pressure on crude oil prices is expected to increase the average Brent spot price to $95 per barrel in 2024.

On Wall Street for the month of September, the Dow Jones Industrial Average, the S&P 500 and the Nasdaq Composite declined 3.5%, 4.9% and 5.8%, respectively. It was the biggest monthly percentage drop in 2023 for the S&P 500 and the Nasdaq. For the third quarter, the Dow lost 2.6%, the S&P 500 dropped 3.6% and the Nasdaq fell 4.1%. The anticipated government shutdown made investors extremely nervous as it would have a negative impact on the credit-worthiness of the government. The prices inflation index, excluding food and energy (PCE), showed that underlying inflation moderated in August, with an annual rise in PCE of 3.9%. The number fell below 4% for the first time in more than two years.

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 September 30, 2023, domestic and international Valve companies were trading at median total enterprise value / latest twelve months (TEV/LTM) EBITDA multiples of 12.5x and 7.7x, respectively, while both groups have median EBITDA margins of 21.3% and 14.7%, respectively. The median stock price as a percentage of the 52-week high for both groups is 91% and 91%, 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)

	LTM			Stock Price	% of 52-Week	Market	Total Enterprise	TEV / LTM		Net Debt[4]/
Company	Revenues[2]	EBITDA[2]	Margin	9/30/2023	High	Cap	Value[3]	Revenues	EBITDA	EBITDA
Badger Meter Inc. (BMI)	$668	$139	20.8%	$143.87	84.2%	$4,218	$4,083	6.1x	29.4x	(1.1x)
Crane Co. (CR)	3,379	728	21.5	88.84	71.8	5,044	5,100	1.5	7.0	(0.0)
Curtiss-Wright Corp. (CW)	2,817	666	23.7	195.63	93.3	7,494	8,634	3.1	13.0	1.5
Dover Corp. (DOV)	8,472	1,813	21.4	139.51	86.8	19,514	22,651	2.7	12.5	1.6
Emerson Electric Co. (EMR)	15,165	3,902	25.7	96.57	96.0	55,190	59,869	3.9	15.3	0.2
Flowserve Corp. (FLS)	4,194	575	13.7	39.77	97.0	5,218	6,313	1.5	11.0	1.8
General Electric Co. (GE)	83,813	13,293	15.9	110.55	93.7	119,701	123,206	1.5	9.3	0.4
Honeywell International Inc. (HON)	36,408	9,037	24.8	184.74	83.6	122,660	136,857	3.8	15.1	1.5
ITT Corporation (ITT)	3,229	686	21.3	97.91	94.2	8,038	8,081	2.5	11.8	(0.1)
Mueller Water Products, Inc. (MWA)	1,306	188	14.4	12.68	76.3	1,984	2,317	1.8	12.3	1.8
Parker Hannifin Corporation (PH)	19,680	4,887	24.8	389.52	91.0	50,057	62,487	3.2	12.8	2.4
Schlumberger Limited (SLB)	32,023	8,474	26.5	58.30	92.9	82,855	93,477	2.9	11.0	1.1
TechnipFMC plc (FTI)	7,441	867	11.7	20.34	93.9	8,910	10,617	1.4	12.2	1.7
Watts Water Technologies, Inc. (WTS)	2,011	400	19.9	172.82	89.6	5,762	5,564	2.8	13.9	(0.7)
Xylem Inc. (XYL)	6,752	1,223	18.1	91.03	76.8	21,923	23,830	3.5	19.5	1.4
Median			**21.3%**		**91.0%**			**2.8x**	**12.5x**	**1.4x**
Mean			**20.3**		**88.1**			**2.8**	**13.7**	**0.9**

(1) Source: S&P Capital IQ and JKC research.
(2) Revenues and EBITDA are for the latest twelve months as of 9/30/23.
(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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TABLE VI: SELECTED INTERNATIONAL VALVE COMPANIES[1]

(US$ in millions, except per share data)

Company	LTM Revenues[2]	LTM EBITDA[2]	LTM Margin	Stock Price 9/30/2023	% of 52-Week High	Market Cap	Total Enterprise Value[3]	TEV / LTM Revenues	TEV / LTM EBITDA	Net Debt[4]/ EBITDA
Aalberts Industries NV (AALB)	$3,527	$644	18.3%	$36.71	71.5%	$4,059	$4,929	1.4x	7.7x	1.3x
Alfa Laval AB (ALFA)	5,475	974	17.8	34.48	93.1	14,253	15,721	2.9x	16.1x	1.3
Georg Fischer AG (GF)	4,386	559	12.7	56.48	72.5	4,625	4,801	1.1x	8.6x	0.2
Hisaka Works Ltd. (6247)	234	20	8.5	6.41	94.7	181	92	0.4x	4.7x	(2.8)
Hitachi Ltd. (6501)	71,195	10,442	14.7	62.10	91.2	57,663	67,605	0.9x	6.5x	0.7
IMI plc (IMI)	2,637	578	21.9	19.13	92.9	4,945	5,885	2.2x	10.2x	1.7
Kitz Corp. (6498)	1,100	128	11.6	6.93	92.6	622	695	0.6x	5.4x	0.6
KSB Aktiengesellschaft (KSB)	2,981	307	10.3	709.14	90.5	1,160	1,226	0.4x	4.0x	(0.5)
Kubota Corp. (6326)	19,673	2,504	12.7	14.76	91.0	17,374	30,122	1.5x	12.0x	4.7
Lupatech S.A. (LUPA3)	19	(8)	(42.9)	0.46	29.9	15	44	2.3x	NM	(3.4)
Okano Valve Manufacturing Co. (6492)	44	6	14.8	16.98	74.7	27	12	0.3x	1.9x	(2.2)
Saint Gobain (SGO)	53,630	7,954	14.8	60.20	91.5	31,409	41,315	0.8x	5.2x	1.2
SMC Corp. (6273)	5,439	1,830	33.7	448.44	80.1	28,925	25,099	4.6x	13.7x	(2.2)
Spirax-Sarco Engineering plc (SPX)	2,088	521	24.9	116.25	77.1	8,555	9,577	4.6x	18.4x	2.0
The Weir Group PLC (WEIR)	3,266	556	17.0	23.20	91.8	6,017	7,057	2.2x	12.7x	1.9
Velan, Inc. (VLN)	365	32	8.7	8.18	85.9	177	150	0.4x	4.7x	(0.1)
Median			**14.7%**		**90.8%**			**1.2x**	**7.7x**	**0.7x**
Mean			**12.5**		**82.6**			**1.7**	**8.8**	**0.3**

(1) Source: S&P Capital IQ and JKC research.
(2) Revenues and EBITDA are for the latest twelve months as of 9/30/23.
(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 38.1% over the last twelve months, while the S&P 500 Index was up 16.6% over the same time period.

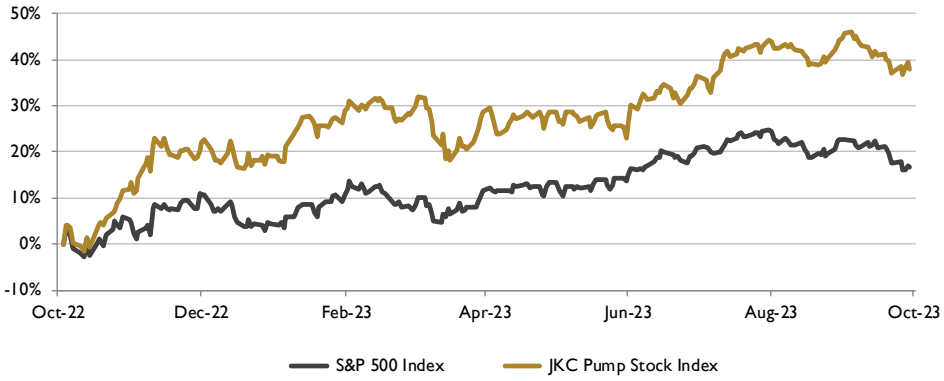
The Institute for Supply Management's Purchasing Managers Index (PMI)® registered 49% in September, up from 47.6% the prior month and down from 50.9% one year ago. This is a change of 2.9% from the prior month and -3.7% from one year ago. This is the highest reading since November 2022. September marked the 11th straight month that the PMI® remained below 50%, which indicates contraction in manufacturing. That is the longest stretch since the 2007-2009 Great Recession. Five manufacturing industries in the survey reported growth, including textile mills and primary metals. New orders increased to 49.2% from 46.8% in August. With new orders improving, production at factories accelerated. The Production Index increased to 52.5% from 50% in the prior month. Prices paid by manufacturers fell to 43.8% from 48.4% in August..[1]

September marked the 11th straight month that the PMI® remained below 50%, which indicates contraction in manufacturing.

The Commerce Department reported construction spending increased 0.5% in August after rising 0.9% in July, lifted by spending on single- and multi-family housing. Construction spending jumped 7.4% on a year-on-year basis. Spending on private construction projects rose 0.5%, with investment in residential construction advancing 0.6% after increasing 1.6% in the prior month. Private construction spending gained 1.2% in July. Spending on private non-residential structures climbed 0.3% in August, while spending on manufacturing construction projects jumped 1.2%.

On Wall Street for the month of September, the Dow Jones Industrial Average, the S&P 500 and the Nasdaq Composite declined 3.5%, 4.9% and 5.8%, respectively. It was the biggest monthly percentage drop in 2023 for the S&P 500 and the Nasdaq. For the third quarter, the Dow lost 2.6%, the S&P 500 dropped 3.6% and the Nasdaq fell 4.1%. The anticipated government shutdown made investors extremely nervous as it would have a negative impact on the credit-worthiness of the government. The prices inflation index, excluding food and energy (PCE), showed that underlying inflation moderated in August, with an annual rise in PCE of 3.9%. The number fell below 4% for the first time in more than two years.

CHART II: JKC PUMP STOCK INDEX[2]



(1) See Economic Indicators section of this report for more detailed information on these indicators.
(2) Source: S&P Capital IQ and JKC research. Local currency converted to USD using historical spot rates. The JKC Pump Stock Index includes a select list of publicly-traded companies involved in the pump industry weighted by market capitalization.

Pump Companies

Domestic Pump companies (as listed in Table VII) and international Pump companies (in Table VIII) were trading at median TEV/LTM EBITDA multiples of 12.5x and 8.5x, respectively, as of September 30, 2023. As you can see, both groups are leveraged with a median net debt/LTM EBITDA ratio of 1.1x for domestic Pump companies compared to 0.7x 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)

	LTM			Stock Price	% of 52-Week	Market	Total Enterprise	TEV / LTM		Net Debt[4]/
Company	Revenues[2]	EBITDA[2]	Margin	9/30/2023	High	Cap	Value[3]	Revenues	EBITDA	EBITDA
Ampco-Pittsburgh Corp. (AP)	$408	$29	7.2%	$2.63	64.8%	$52	$179	0.4x	6.1x	4.3x
Baker Hughes Inc. (BKR)	24,576	4,411	17.9	35.32	94.0	35,661	38,659	1.6	8.8	0.6
Crane Co. (CR)	3,379	728	21.5	88.84	71.8	5,044	5,100	1.5	7.0	(0.0)
Curtiss-Wright Corp. (CW)	2,817	666	23.7	195.63	93.3	7,494	8,634	3.1	13.0	1.5
Danaher Corp. (DHR)	29,566	9,589	32.4	248.10	87.5	183,185	195,593	6.6	20.4	1.1
Dover Corp. (DOV)	8,472	1,813	21.4	139.51	86.8	19,514	22,651	2.7	12.5	1.6
Energy Recovery, Inc. (ERII)	113	20	17.3	21.21	69.0	1,196	1,113	9.8	56.6	(4.7)
Flowserve Corp. (FLS)	4,194	575	13.7	39.77	97.0	5,218	6,313	1.5	11.0	1.8
Franklin Electric Co. Inc. (FELE)	2,082	340	16.3	89.23	83.1	4,128	4,370	2.1	12.9	0.3
General Electric Co. (GE)	83,813	13,293	15.9	110.55	93.7	119,701	123,206	1.5	9.3	0.4
Gorman-Rupp Co. (GRC)	645	106	16.4	32.90	97.5	862	1,278	2.0	12.0	3.7
Graco Inc. (GGG)	2,184	709	32.5	72.88	82.9	12,316	11,949	5.5	16.9	(0.7)
IDEX Corp. (IEX)	3,296	952	28.9	208.02	84.5	15,727	16,846	5.1	17.7	0.9
Illinois Tool Works Inc. (ITW)	16,095	4,525	28.1	230.31	87.2	69,644	76,945	4.8	17.0	1.6
Ingersoll-Rand Co. Ltd. (IR)	6,678	1,665	24.9	63.72	90.2	25,768	27,435	4.1	16.5	0.9
ITT Corporation (ITT)	3,229	686	21.3	97.91	94.2	8,038	8,081	2.5	11.8	(0.1)
National Oilwell Varco, Incorporated (NOV)	8,313	1,276	15.4	20.90	84.2	8,230	10,088	1.2	7.9	1.5
Pentair, Inc. (PNR)	4,123	977	23.7	64.75	90.2	10,691	12,764	3.1	13.1	2.0
Roper Technologies Inc. (ROP)	5,995	2,486	41.5	484.28	95.2	51,678	56,881	9.5	22.9	2.6
Schlumberger Limited (SLB)	32,023	8,474	26.5	58.30	92.9	82,855	93,477	2.9	11.0	1.1
Standex International Corp. (SXI)	745	154	20.7	145.69	86.3	1,724	1,735	2.3	11.2	0.3
Weatherford International Ltd. (WFRD)	4,982	1,284	25.8	90.33	91.3	6,511	7,944	1.6	6.2	1.0
Xylem Inc. (XYL)	6,752	1,223	18.1	91.03	76.8	21,923	23,830	3.5	19.5	1.4
Median			**21.4%**		**87.5%**			**2.7x**	**12.5x**	**1.1x**
Mean			**22.2**		**86.7**			**3.4**	**14.8**	**1.0**

(1) Source: S&P Capital IQ and JKC research.
(2) Revenues and EBITDA are for the latest twelve months as of 9/30/23.
(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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TABLE VIII: SELECTED INTERNATIONAL PUMP COMPANIES[1]

(US$ in millions, except per share data)

Company	LTM Revenues[2]	LTM EBITDA[2]	LTM Margin	Stock Price 9/30/2023	% of 52-Week High	Market Cap	Total Enterprise Value[3]	TEV / LTM Revenues	TEV / LTM EBITDA	Net Debt[4]/ EBITDA
Alfa Laval AB (ALFA)	$5,475	$974	17.8%	$34.48	93.1%	$14,253	$15,721	2.9x	16.1x	1.3x
Andritz AG (ANDR)	8,829	899	10.2	50.61	71.2	5,006	4,618	0.5	5.1	(0.5)
DMW Corp. (6365)	161	20	12.4	24.81	94.5	105	28	0.2	1.4	(3.3)
Ebara Corp. (6361)	4,903	713	14.5	46.93	92.7	4,332	4,251	0.9	6.0	0.0
FLSmidth & Co. A/S (FLS)	3,479	226	6.5	45.27	91.5	2,569	2,739	0.8	12.1	0.8
Gevelot SA (ALGEV)	143	18	12.8	200.04	91.7	150	24	0.2	1.3	(6.7)
GUD Holdings Ltd. (GUD)	669	144	21.5	7.60	93.7	1,070	1,408	2.1	9.8	2.4
Hyundai Heavy Industries Co. Ltd. (A329180)	7,856	250	3.2	90.03	81.0	7,993	9,737	1.2	39.0	6.7
John Wood Group plc (WG)	5,625	261	4.6	1.90	67.9	1,284	2,228	0.4	8.5	3.8
Kirloskar Brothers Ltd. (500241)	463	60	12.9	10.11	84.4	803	780	1.7	13.1	(0.4)
KSB Aktiengesellschaft (KSB)	2,981	307	10.3	709.14	90.5	1,160	1,226	0.4	4.0	(0.5)
Kubota Corp. (6326)	19,673	2,504	12.7	14.76	91.0	17,374	30,122	1.5	12.0	4.7
Nikkiso Co. Ltd. (6376)	1,184	54	4.6	6.79	94.4	449	740	0.6	13.7	6.1
Pfeiffer Vacuum Technology AG (PFV)	1,030	162	15.7	154.11	82.3	1,529	1,568	1.5	9.7	0.2
SKF AB (SKF B)	9,544	1,379	14.4	16.71	83.7	7,611	8,974	0.9	6.5	0.7
Spirax-Sarco Engineering plc (SPX)	2,088	521	24.9	116.25	77.1	8,555	9,577	4.6	18.4	2.0
Sulzer, Ltd. (SUN)	3,570	435	12.2	95.85	95.3	3,252	3,591	1.0	8.3	0.8
Teikoku Electric Mfg.Co.,Ltd. (6333)	196	41	21.0	16.93	88.1	307	213	1.1	5.2	(2.6)
The Weir Group PLC (WEIR)	3,266	556	17.0	23.20	91.8	6,017	7,057	2.2	12.7	1.9
Torishima Pump Manufacturing Co. Ltd. (6363)	475	63	13.3	12.73	93.7	337	316	0.7	5.0	(0.2)
Tsurumi Manufacturing Co. Ltd. (6351)	381	61	15.9	20.55	93.0	503	377	1.0	6.2	(2.3)
Median			**12.9%**		**91.5%**			**1.0x**	**8.5x**	**0.7x**
Mean			**13.3**		**87.8**			**1.3**	**10.2**	**0.7**

(1) Source: S&P Capital IQ and JKC research.
(2) Revenues and EBITDA are for the latest twelve months as of 9/30/23.
(3) Total enterprise value is defined as market capitalization *plus* total debt *less* cash and cash equivalents.
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Wall Street Filter Watch

The JKC Filter Stock Index was up 11.5% over the last twelve months, while the S&P 500 Index was up 16.6%.

Housing starts increased 7.0% in September, with single-family starts rising 3.2% and multifamily soaring 17.1%. Boosted by demand for new construction amid an acute housing shortage, the highest mortgage rates in nearly 23 years could slow momentum and delay the overall housing market recovery. Single-family housing starts, which account for the bulk of homebuilding, increased to a seasonally adjusted annual rate of 963,000 units. Single-family starts rose in the Midwest, West and the South, but plunged 19% in the Northeast. The average contract interest rate on a 30-year fixed-rate mortgage rose 3 basis points to 7.7%, the highest since November 2000.(1)

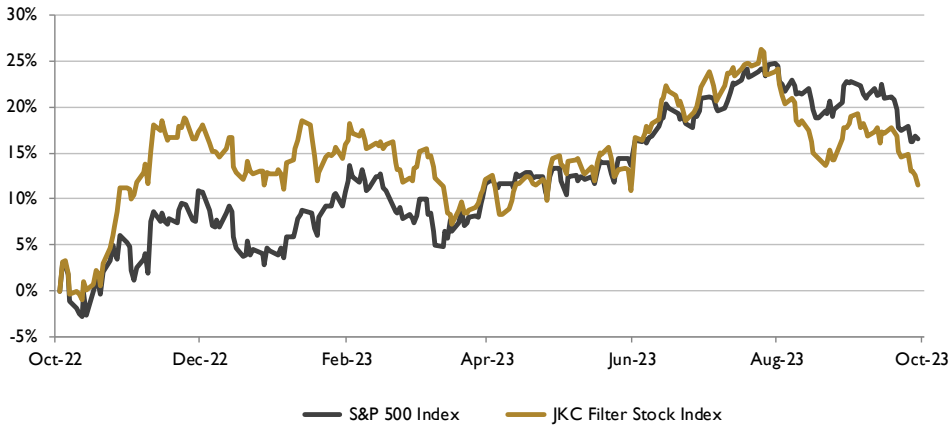
U.S. light vehicle sales in the third quarter of 2023 topped 3.8 million units, up 17% year over year.

Auto manufacturers, including General Motors, Honda, Toyota, Nissan and Volvo, among others, saw double-digit percentage sales growth year over year, thanks to pent-up demand as the industry continues to rebound from the pandemic and chip crunch. U.S. light vehicle sales in the third quarter of 2023 topped 3.8 million units, up 17% year over year. The seasonally adjusted annualized sales rate for September 2023 was 15.2-15.5 million vehicles, up from 13.7 million vehicles a year earlier.

General Motors' third quarter sales in the United States rose 21% year over year to 674,336 units. Volumes at key brands Chevrolet, Cadillac, Buick and GMC increased 21%, 6%, 54% and 19%, respectively. Ford Motor saw its sales increase 7.7% to 500,504 units. The third quarter of 2023 marked record electric vehicle sales for Ford on the soaring popularity of Mustang Mach-E and E Transit.

On Wall Street for the month of September, the Dow Jones Industrial Average, the S&P 500 and the Nasdaq Composite declined 3.5%, 4.9% and 5.8%, respectively. It was the biggest monthly percentage drop in 2023 for the S&P 500 and the Nasdaq. For the third quarter, the Dow lost 2.6%, the S&P 500 dropped 3.6% and the Nasdaq fell 4.1%. The anticipated government shutdown made investors extremely nervous as it would have a negative impact on the credit-worthiness of the government. The prices inflation index, excluding food and energy (PCE), showed that underlying inflation moderated in August, with an annual rise in PCE of 3.9%. The number fell below 4% for the first time in more than two years.

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 September 30, 2023, domestic and international Filter companies (listed in Table IX and Table X, respectively) were trading at medians of 13.2x and 9.2x, respectively, of TEV/LTM EBITDA with median LTM EBITDA margins of 21.6% and 13.5%, 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)

	LTM			Stock Price	% of 52-Week	Market	Total Enterprise	TEV / LTM		Net Debt[4]/
Company	Revenues[2]	EBITDA[2]	Margin	9/30/2023	High	Cap	Value[3]	Revenues	EBITDA	EBITDA
3M Co. (MMM)	$32,747	$8,219	25.1%	$93.62	69.9%	$51,678	$64,323	2.0x	7.8x	1.4x
CECO Environmental Corp. (CECO)	508	50	9.8	15.97	95.5	555	669	1.3	13.4	2.2
Corning Inc. (GLW)	13,000	2,903	22.3	30.47	82.1	25,990	33,304	2.6	11.5	2.3
Crane Co. (CR)	3,379	728	21.5	88.84	71.8	5,044	5,100	1.5	7.0	(0.0)
Cummins Inc. (CMI)	33,292	5,258	15.8	228.46	86.1	32,361	39,425	1.2	7.5	1.0
Donaldson Company Inc. (DCI)	3,431	631	18.4	59.64	89.1	7,223	7,752	2.3	12.3	0.8
Eaton Corporation (ETN)	22,613	4,898	21.7	213.28	88.7	85,099	93,587	4.1	19.1	1.6
Entegris, Inc. (ENTG)	3,658	911	24.9	93.91	82.0	14,097	19,058	5.2	20.9	5.3
ESCO Technologies Inc. (ESE)	956	187	19.6	104.44	95.3	2,693	2,847	3.0	15.2	0.6
General Electric Co. (GE)	83,813	13,293	15.9	110.55	93.7	119,701	123,206	1.5	9.3	0.4
Honeywell International Inc. (HON)	36,408	9,037	24.8	184.74	83.6	122,660	136,857	3.8	15.1	1.5
Illinois Tool Works Inc. (ITW)	16,095	4,525	28.1	230.31	87.2	69,644	76,945	4.8	17.0	1.6
Parker Hannifin Corporation (PH)	19,680	4,887	24.8	389.52	91.0	50,057	62,487	3.2	12.8	2.4
Pentair, Inc. (PNR)	4,123	977	23.7	64.75	90.2	10,691	12,764	3.1	13.1	2.0
Watts Water Technologies, Inc. (WTS)	2,011	400	19.9	172.82	89.6	5,762	5,564	2.8	13.9	(0.7)
Xylem Inc. (XYL)	6,752	1,223	18.1	91.03	76.8	21,923	23,830	3.5	19.5	1.4
Median			**21.6%**		**87.9%**			**2.9x**	**13.2x**	**1.5x**
Mean			**20.9**		**85.8**			**2.9**	**13.5**	**1.5**

(1) Source: S&P Capital IQ and JKC research.
(2) Revenues and EBITDA are for the latest twelve months as of 9/30/23.
(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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TABLE X: SELECTED INTERNATIONAL FILTER COMPANIES[1]

(US$ in millions, except per share data)

Company	LTM Revenues[2]	LTM EBITDA[2]	LTM Margin	Stock Price 9/30/2023	% of 52-Week High	Market Cap	Total Enterprise Value[3]	TEV / LTM Revenues	TEV / LTM EBITDA	Net Debt[4]/ EBITDA
Alfa Laval AB (ALFA)	5,475	974	17.8	34.48	93.1	14,253	15,721	2.9	16.1	1.3
Amiad Water Systems Ltd. (AMD)	115	15	12.7	2.86	66.1	87	110	1.0	7.5	1.6
Andritz AG (ANDR)	8,829	899	10.2	50.61	71.2	5,006	4,618	0.5	5.1	(0.5)
Asahi Kasei Corp. (3407)	18,122	1,868	10.3	6.29	91.3	8,722	14,088	0.8	7.5	2.5
Daikin Industries Ltd. (6367)	27,507	3,877	14.1	157.17	74.9	46,007	47,948	1.7	12.4	0.3
Denso Corp. (6902)	44,852	5,549	12.4	16.08	91.9	48,151	49,519	1.1	8.9	(0.0)
Faurecia SA (EO)	29,473	2,457	8.3	20.76	77.2	4,089	14,416	0.5	5.9	3.6
FLSmidth & Co. A/S (FLS)	3,479	226	6.5	45.27	91.5	2,569	2,739	0.8	12.1	0.8
GEA Group AG (GIA)	5,695	734	12.9	37.50	80.4	6,377	6,264	1.1	8.5	(0.4)
GUD Holdings Ltd. (GUD)	669	144	21.5	7.60	93.7	1,070	1,408	2.1	9.8	2.4
Ibiden Co., Ltd. (4062)	2,771	768	27.7	53.32	85.8	7,447	7,595	2.7	9.9	0.0
Johnson Matthey plc (JMAT)	18,223	771	4.2	19.87	68.3	3,633	4,894	0.3	6.3	1.7
NGK Insulators Ltd. (5333)	3,813	804	21.1	13.27	96.7	4,066	4,335	1.1	5.4	0.1
Nitto Denko Corp. (6988)	6,167	1,252	20.3	65.67	89.5	9,359	7,422	1.2	5.9	(1.7)
Porvair plc (PRV)	221	33	15.1	7.08	82.9	325	315	1.4	9.4	(0.3)
Sartorius AG (SRT)	4,075	1,270	31.2	275.19	69.5	21,209	24,682	6.1	19.4	4.2
Siemens AG (SIE)	81,444	14,071	17.3	143.20	81.0	113,640	160,428	2.0	11.4	2.7
Toray Industries Inc. (3402)	16,480	1,310	7.9	5.21	92.0	8,343	13,843	0.8	10.6	3.7
Median			**13.5%**		**84.3%**			**1.1x**	**9.2x**	**1.0x**
Mean			**15.1**		**83.2**			**1.6**	**9.6**	**1.2**

(1) Source: S&P Capital IQ and JKC research.
(2) Revenues and EBITDA are for the latest twelve months as of 9/30/23.
(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 generally lower than last quarter levels. Annual multiples for domestic and international companies are generally higher than last year.

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

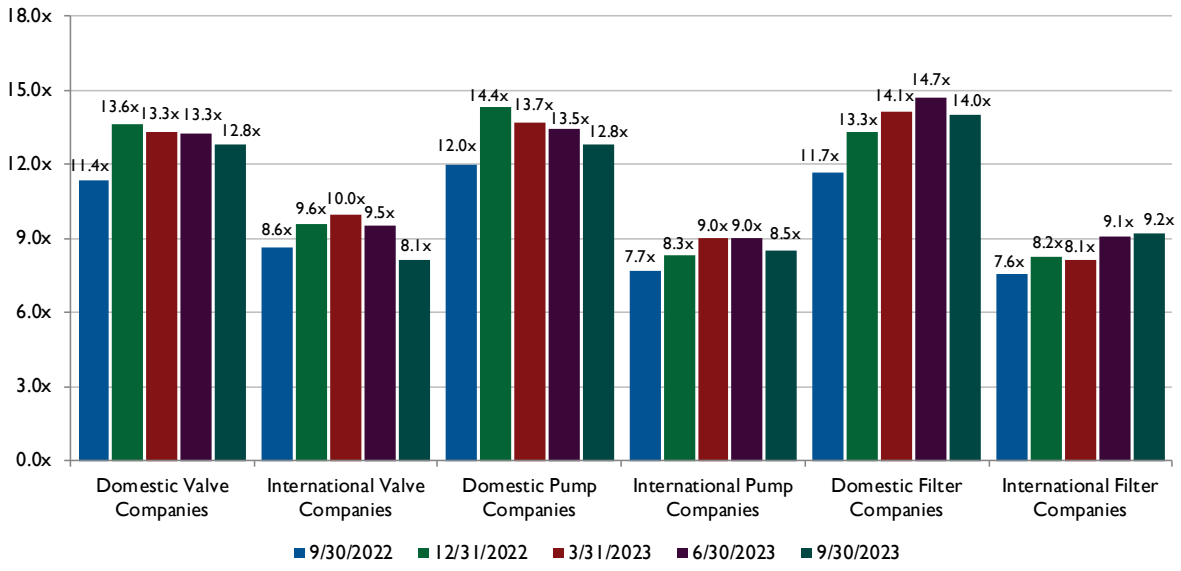
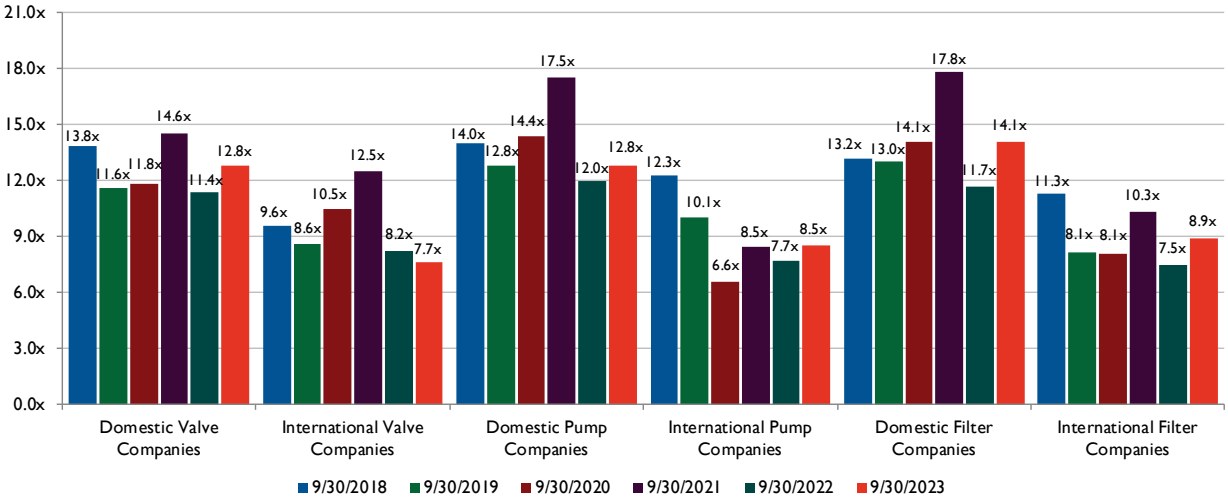


CHART V: ANNUAL MEDIAN TEV/LTM EBITDA VALUATION MULTIPLES(1)



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

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Economic Indicators – Valves and Pumps[1]

BY DAVID A. KAKAREKA

CHART VI: U.S. PMI® INDEX[2] AND MANUFACTURING SHIPMENTS[3]

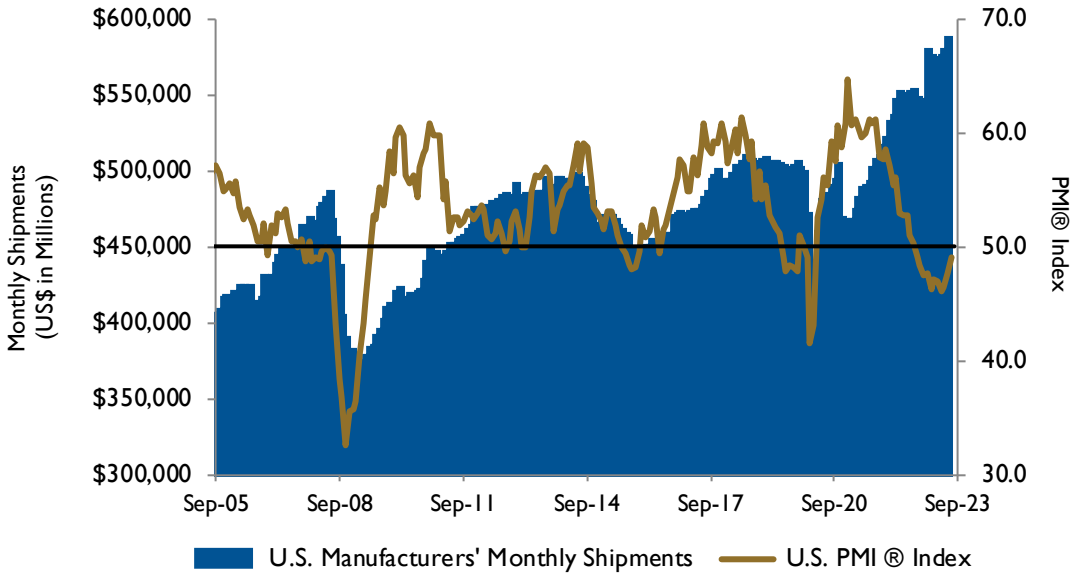
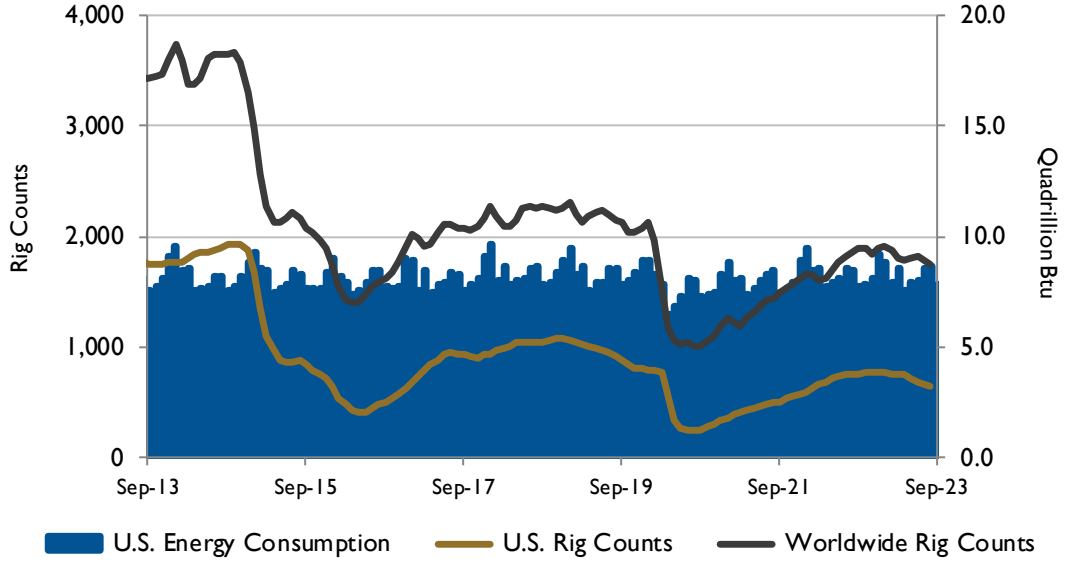


CHART VII: U.S. ENERGY CONSUMPTION[4] AND RIG COUNTS[5]



(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]

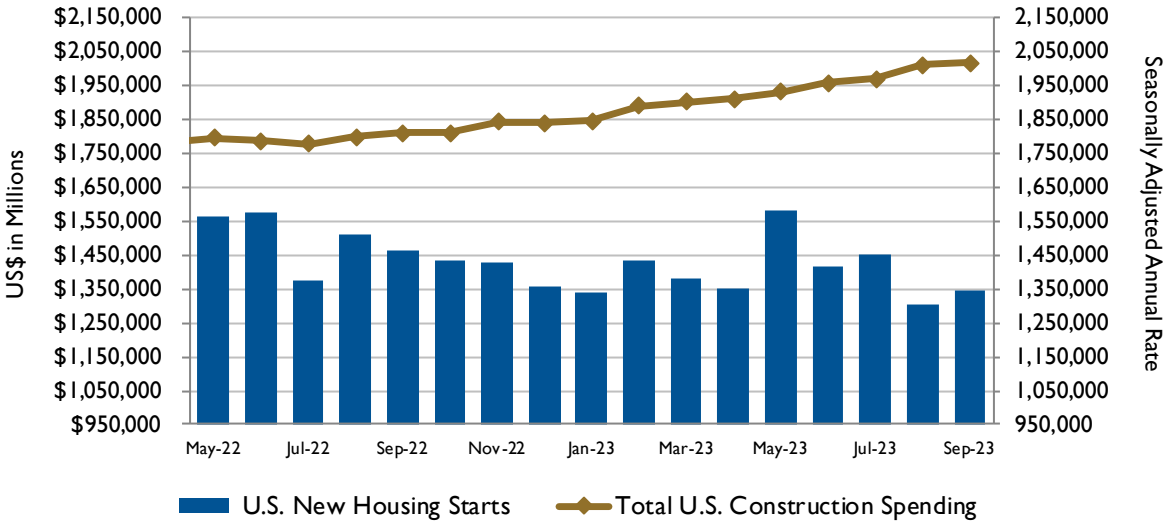
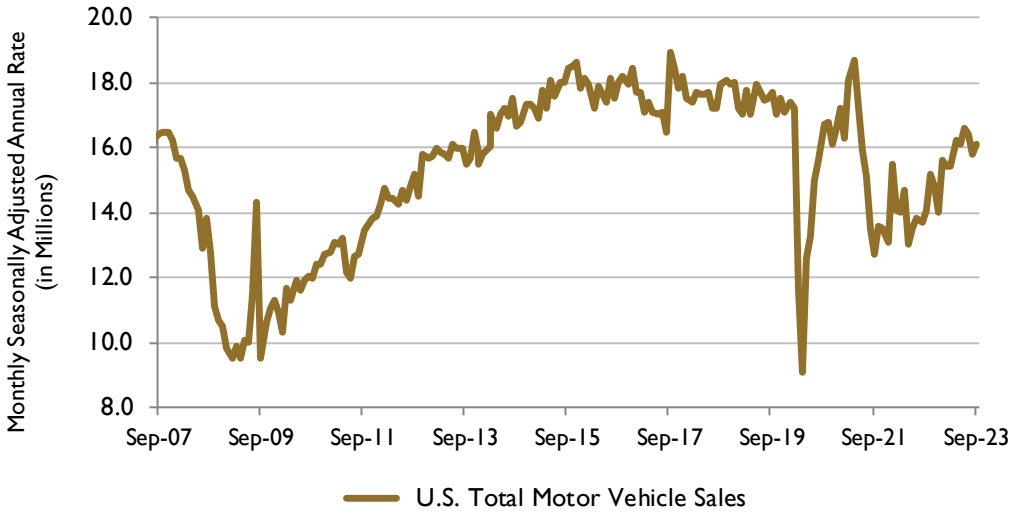


CHART IX: U.S. MOTOR VEHICLE SALES[3]



(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

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