

CORPORATE FINANCE
We invest in relationships



Spring

20
24

INDUSTRIAL FLOW CONTROL

INDUSTRY UPDATE

Frankfurt | Hamburg | Helsinki | London | Stockholm

SETTING THE FLOW

Welcome to our Spring 2024 edition of the Flow Control industry update. This report serves as your guide to the latest trends and hot topics, M&A activity, and valuation environment shaping the Flow Control sector.

Reflecting on the past year, the industry has seen substantial developments in areas such as water and wastewater management, alternative energy sources, and digitalization, each playing a pivotal role in steering the sector towards a more innovative and efficient future.

Water scarcity and the imperative for sustainability have brought to the forefront innovative solutions in water treatment and conservation. The push for cleaner energy sources has elevated the role of hydrogen and LNG, creating new opportunities for Flow Control technologies. Meanwhile, the digital transformation within the industry, through smart technologies and predictive maintenance, is setting new benchmarks for operational excellence.

Our report provides an update on global M&A activity, highlighting major transactions and strategic consolidation activity that continue to shape the landscape. With an eye on the year ahead, we explore the valuation environment, noting continued high valuation levels driven by strong strategic buying interest and a growing recognition of the sector's potential by financial sponsors.

This year, we further solidified our commitment to providing tailored, relationship-driven M&A and debt advisory services. Our dedication to understanding the nuances of each client's journey has enabled us to forge strong partnerships and deliver outcomes that exceed expectations.

We trust you will find valuable insights within these pages and look forward to the possibility of engaging in discussions about your ventures in the Flow Control landscape.

Warm regards,

Stefan Mattern **Philipp Landow**

WE WILL BE AT ACHEMA – LET'S MEET THERE



HOT TOPICS IN THE FLOW CONTROL INDUSTRY



WATER & WASTEWATER MANAGEMENT

Sustainability and water scarcity: Rising global water scarcity is catalyzing innovations in sustainable water management. Population growth and climate change effects are amplifying the need for advanced flood protection equipment, water treatment, recycling, and conservation. **Desalination** emerges as a key solution to water shortages, benefiting from technological improvements that enhance its energy efficiency and cost-effectiveness.

Aging water and wastewater infrastructure: Deteriorating water systems, particularly in developed nations (e.g. Europe and the US), lead to substantial water loss and purity challenges. The move to modernize aging infrastructure is driven by the imperative to curb losses, elevate water quality, and meet increasing demands.



ALTERNATIVE ENERGY SOURCES

Hydrogen: The push for cleaner energy sources has made hydrogen a prominent focus. The development of infrastructure for hydrogen production, storage, and distribution is a significant driver in the flow control industry, requiring specialized valves, pumps, and pipes. The EU's **Hy2Infra €6.9 billion investment** into hydrogen infrastructure signals a robust market opportunity for specialized flow control solution providers.

LNG: The LNG sector is experiencing growth due to its role as a transition fuel towards a lower-carbon economy. The flow control industry benefits as LNG requires highly specialized **cryogenic pumps, valves** and control systems to handle the extreme temperatures and pressures involved in LNG processing, transport, and regasification.



DIGITALIZATION AND SMART TECHNOLOGIES

Digital Monitoring and Predictive Maintenance: In the dynamic realm of flow control, digital monitoring and predictive maintenance are reshaping industry standards. Leveraging **AI and IoT**, these smart systems not only foresee potential failures, reducing unscheduled downtime but also **optimize energy efficiency** for greener operation.

Metering and sensors: The sensor and metering sector, as reported by AMA^[1], has witnessed a revenue boost of 6% in 2023 and is gearing up for a 13% hike in investments in 2024, indicating robust industry health and a commitment to innovation. Automation's surge necessitates advanced metering technology and sensors for accurate monitoring and feedback, essential in modern production.



ADVANCED HYGIENIC FLOW SOLUTIONS

Stringent Hygiene and Safety Standards: The hygienic sector is governed by rigorous regulations requiring flow control products to meet high cleanliness, material compatibility, and sterilizability standards. This necessity drives the continuous innovation and upgrading of technologies to comply with evolving regulations and ensure product safety.

Adaptation to Global Health Challenges and Market Growth: The expanding global demand and the need to rapidly respond to health challenges, such as vaccine production, highlight the importance of efficient flow control systems. These industries require advanced, flexible solutions that can scale up quickly and integrate seamlessly with existing processes, catering to specific production needs and standards.

OUR FLOW CONTROL SECTOR COVERAGE

WE MAINTAIN RELATIONSHIPS TO MANY RELEVANT CONSOLIDATORS IN THE FLOW CONTROL SEGMENT

Over the years, we've cultivated a robust network with numerous prominent companies in the Flow Control sector within various key areas such as pumps, compressors, valves, actuators, meters, sensors, mixers, and separators. Our ongoing dialogue with the most active consolidators in the sector has granted us deep insights into their strategic perspectives on M&A opportunities, including strategy and potential synergies. This extensive network enables us to provide comprehensive understanding and tailored solutions for our clients.

EXCERPT MCF FLOW CONTROL NETWORK

For more information, please contact:

landow@mcfcorpfin.com

ONGOING INDUSTRY CONSOLIDATION

M&A activity in the global Flow Control market is predominantly driven by large corporates seeking to broaden their portfolios beyond their traditional offerings, strategically acquiring new technologies to enhance their product suite, extend their geographical and industrial expertise and cater to a shared customer base.

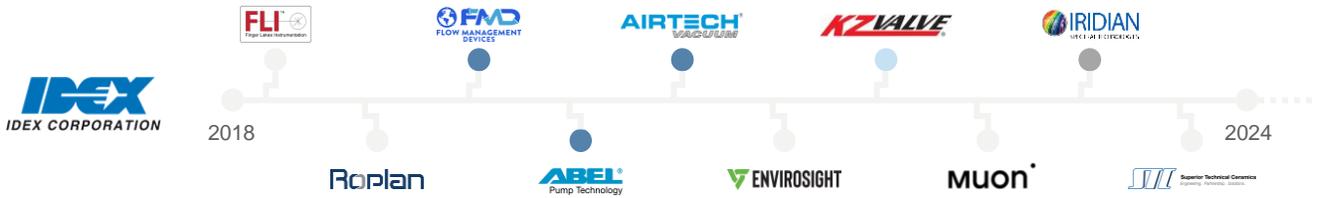
M&A has been key for Atlas Copco's expansion strategy with >80 acquisitions since 2018, complementing the existing product portfolio but also entering new segments such as **pumps and machine vision solutions**



Acquisitions such as National Instruments have been a key step in Emerson's portfolio evolution, advancing the position as a **global automation leader** and diversifying technology into test & measurement automation



M&A continues to be a top focus for IDEX, building out adjacencies to the current technology portfolio, maintaining strong focus on customer-centric, highly engineered products for mission critical-applications



Continued focus on acquisitions fortifying IR's core (i.e. compressors, blowers, vacuums and pumps) and expanding the addressable market through acquisitions of adjacent technologies such as air treatment

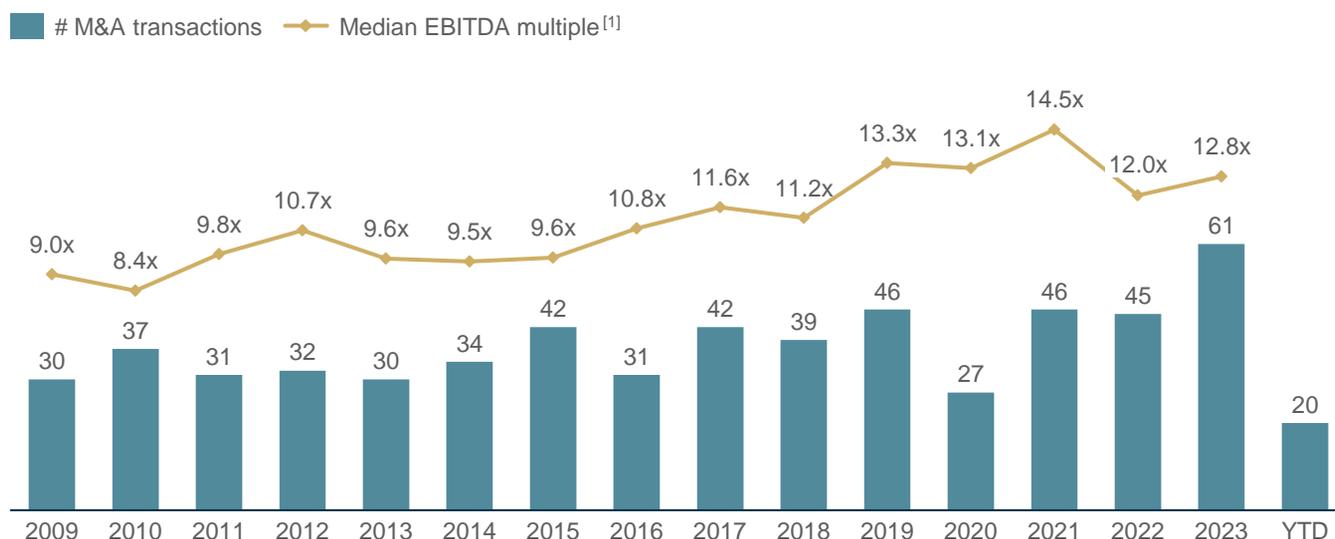


Focus on acquisitions reinforcing Dover's position as diversified global manufacturer, looking for businesses that align with its operational excellence strategy and add adjacent technology to the portfolio, e.g. metering



M&A ENVIRONMENT

DEVELOPMENT OF THE GLOBAL M&A MARKET IN THE INDUSTRIAL FLOW CONTROL SEGMENT



The Industrial Flow Control sector has shown continuous M&A activity throughout the past decade, mainly in the Americas and Europe. While valuation levels came down in 2022, the number of M&A transactions completed worldwide in 2023 rose to an all-time high. The Flow Control segment is characterized by stable high EV/ EBITDA valuations and could continue a double-digit valuation in 2024. High valuations are due to strong buying interest from strategic consolidators and an increasing number of financial investors who have identified the overall Flow Control universe as an attractive target sector.

SELECTED M&A TRANSACTIONS IN THE FLOW CONTROL SEGMENT

Atlas Copco

In December 2023, Atlas Copco acquired Germany-based KRACHT GmbH, a manufacturer of high-quality technologies, including external gear pumps, flow meters, valves, hydraulic drives, and dosing systems.

KRACHT
FLUID TECHNOLOGY AND SYSTEMS

Enterprise Value: Not disclosed

DOVER

In October 2023, Dover Corp announced the acquisition of US-based FW Murphy Production Controls – a local provider of adaptive performance optimization components reciprocating compressors and valves.

FW MURPHY
PRODUCTION CONTROLS

Enterprise Value: €505m

ITT

In November 2023, ITT Inc. acquired Svanehoj Group, a Denmark-based company manufacturing deepwell and cryogenic centrifugal pumps for e.g. LNG, ammonia and LPG applications.

SVANEHOJ
catch the waves

Enterprise Value: €374m

EMERSON

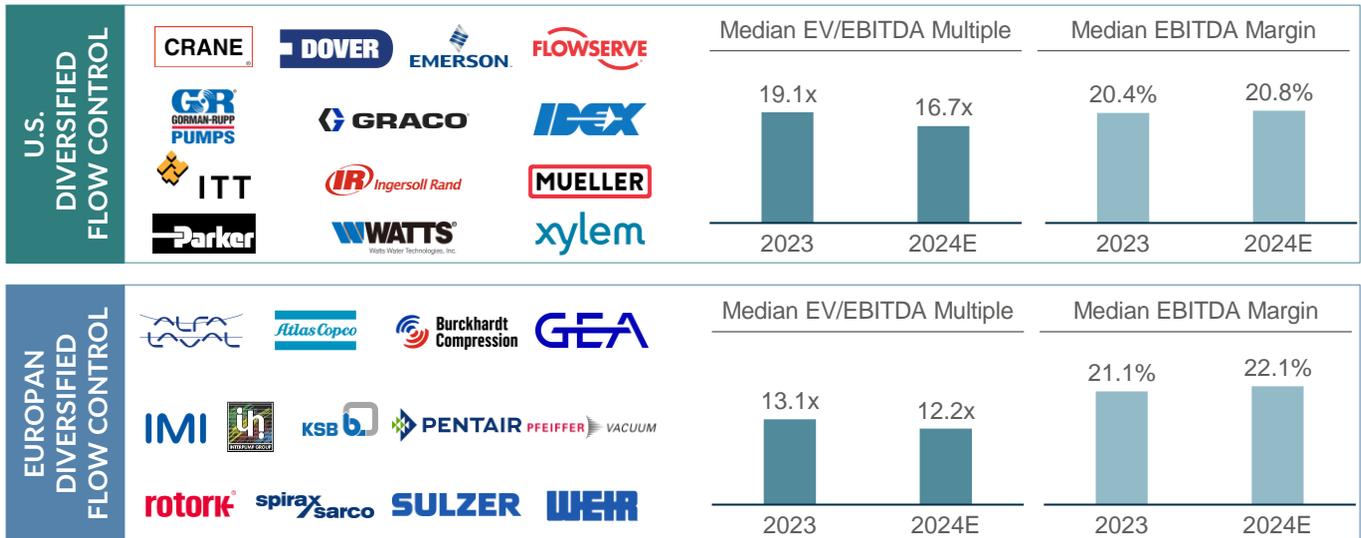
In August 2023, Emerson Electric Co agreed to acquire FLEXIM GmbH, a Germany-based provider of ultrasonic flow measurement solutions for industries including oil & gas, chemical, water, aviation, pharmaceutical, mining, and energy.

FLEXIM
when measuring matters

Enterprise Value: Not disclosed

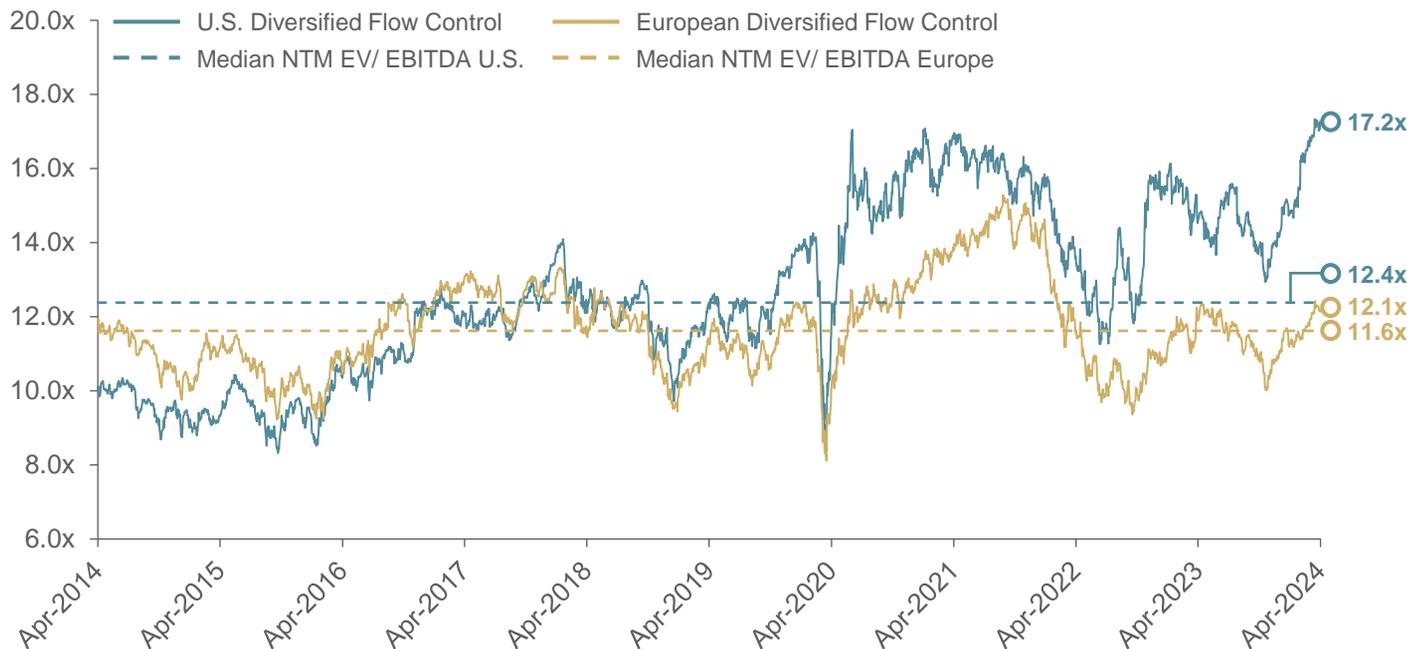
PUBLIC VALUATION ENVIRONMENT

PUBLIC TRADING MULTIPLES OF EUROPEAN & US FLOW CONTROL COMPANIES



NTM EV/EBITDA DEVELOPMENT OF FLOW CONTROL COMPANIES

Valuation levels are up from last year, however, still below the level of peak valuation in 2021. With a NTM^[1] EBITDA multiple of 17.2x^[2], U.S. based diversified Flow Control companies are still trading well above the historical median of 12.4x. Simultaneously, European diversified Flow Control companies are trading at 12.1x^[2] – only slightly above the historical median of 11.6x.





CASE STUDY | HEINKEL GROUP

THE DEAL

De Dietrich Process Systems (“DDPS”), a leading global provider of process equipment, engineered systems and process solutions for the fine chemical, chemical and pharmaceutical industries, strengthens its industrial base in Europe and expands its presence in international markets with the acquisition of the HEINKEL Drying & Separation Group (“HEINKEL”). HEINKEL consists of four product houses, namely Heinkel, Bolz, Comber and Jongia, manufacturing high-quality solutions for centrifugation, filtration, drying and mixing for various process industries. This strategic merger allows DDPS to enrich and broaden its portfolio of solutions for its customers, offering the most comprehensive premium range on the market. Through this acquisition, DDPS becomes the global leader in the fields of solid-liquid separation and drying of active ingredients



acquired



BUY-SIDE ADVISER



with revenue prospects exceeding €300 million. With four additional production sites in Europe, it allows De Dietrich Process Systems to become an undisputed European leader with a strategic commitment to local manufacturing.

“ We selected MCF as our adviser on this highly strategic transaction due to their strong expertise in process technology as well as their expertise in being a sparring partner to management and shareholders.

Jacques Moulin
President, DDPS



MCF’s ROLE

MCF advised the shareholders and management team of DDPS and helped facilitate the deal with a combination of sector as well as strategic buy-side expertise



CASE STUDY | WANGEN PUMPEN

THE DEAL

Founded in 1969 and based in Wangen, Germany, Wangen Pumpen is a market-leading manufacturer of progressive cavity and twin-screw pumps for highly viscous or abrasive substances and solid-fluid composites. The acquisition of Wangen Pumpen is an excellent strategic fit for Atlas Copco's industrial pumps segment. Its differentiated technology and strong aftermarket business create a solid foundation for further growth in new industrial pump segments. As a result of the transaction, Wangen Pumpen will become part of the power and flow division within Atlas Copco's power technique business area.

a portfolio company of

sold to

SELL-SIDE ADVISER

“

We are very happy with the valuable support of MCF. They have deep sector knowledge and helped us achieve a great outcome by running a fast and tailored process.

Joachim Braun

Partner, Silverfleet Capital

”

MCF's ROLE

MCF executed a structured and swift auction process approaching international trade buyers and supported the management team as well as Silverfleet Capital throughout the entire transaction process.

MCF advised on and negotiated the commercial terms of the transaction and supported the sellers in agreeing on and finalising the SPA.

Our expertise in the pumps/ Flow Control space, our sound understanding of trade buyers' M&A strategy and bidding behaviour, helped facilitate a successful transaction.

WE INVEST IN RELATIONSHIPS

EVERYONE'S BUSINESS JOURNEY IS DIFFERENT | WE ARE HERE TO HELP YOU TAKE THE NEXT STEP

Each business is different and so is our approach. MCF Corporate Finance is a leading corporate finance advisory firm focusing on cross-border and middle market transactions. For us, tailor-made M&A and debt advisory means that every client receives relationship-driven advice. We speak the truth, invest in relationships and value trust above all else.

5

EUROPEAN OFFICES

80+

PROFESSIONALS

1,000+

TRANSACTIONS

OUR ADVISORY SERVICES

MERGERS & ACQUISITIONS



- COMPANY SUCCESSION
- PRIVATE EQUITY SELL-SIDE
- CORPORATE SPIN-OFFS
- BUY-SIDE ADVISORY
- M&A STRATEGY ADVISORY
- ADD-ON ACQUISITIONS
- GROWTH CAPITAL
- VENTURE CAPITAL



DEBT ADVISORY



- LEVERAGED BUYOUT FINANCINGS
- BOLT-ON ACQUISITIONS
- GROWTH FINANCING
- REFINANCING/ RECAPITALISATION
- STAPLED FINANCE
- SELL-SIDE LENDER EDUCATION
- PRIVATE PLACEMENTS
- BRIDGE FINANCING

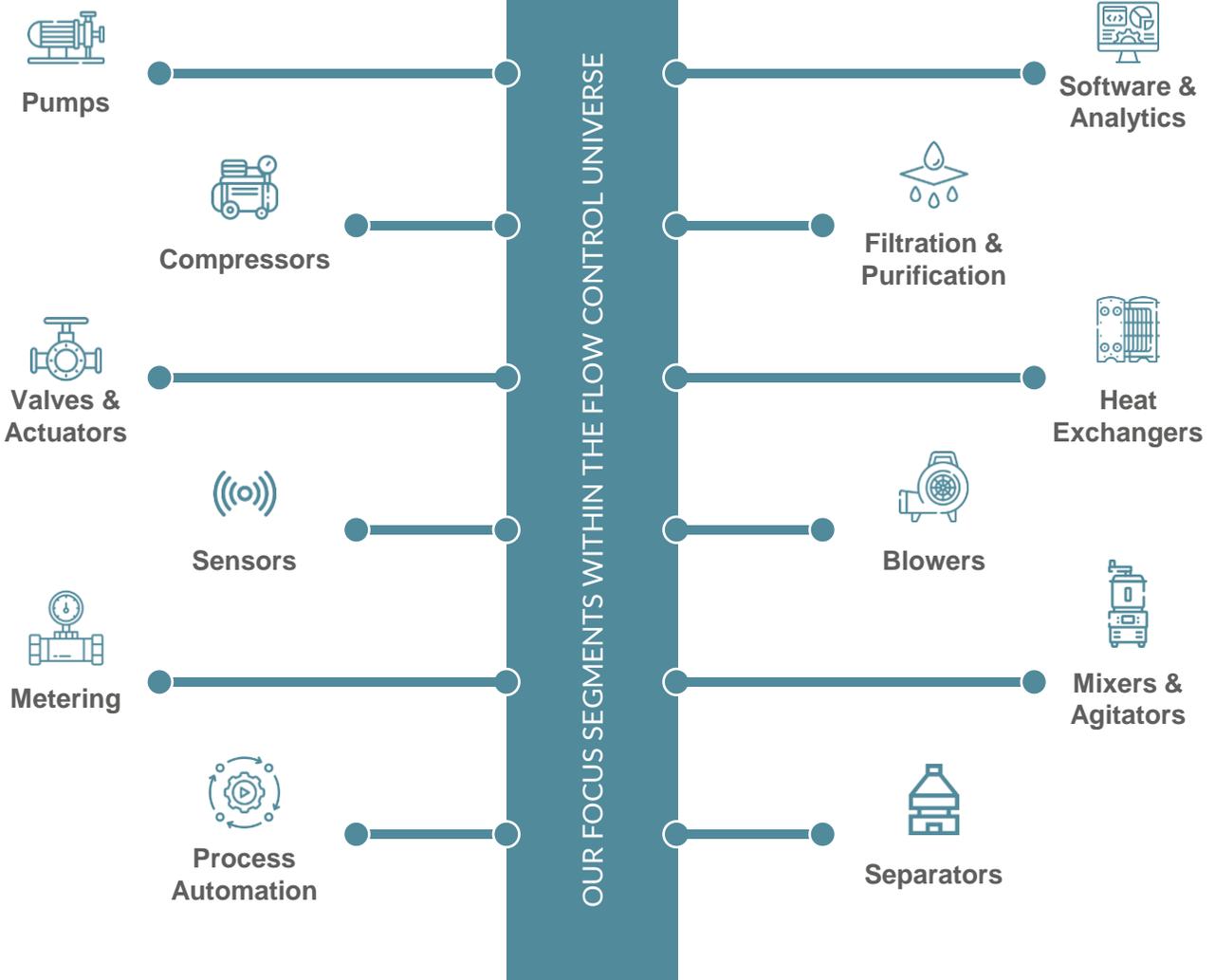
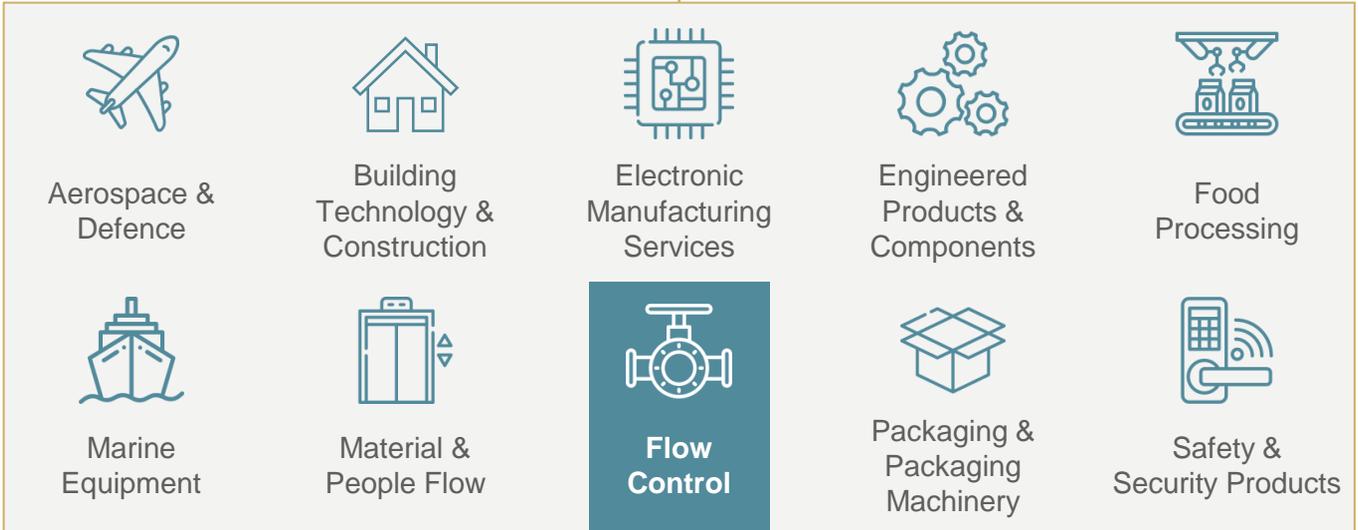
OUR CUSTOMERS

FAMILY BUSINESSES & ENTREPRENEURS

PRIVATE EQUITY

CORPORATES

OUR SECTOR COVERAGE & FOCUS VERTICALS



MCF INDUSTRIALS – FLOW CONTROL TEAM

OUR MISSION IS TO PROVIDE HONEST AND RELATIONSHIP DRIVEN TAILORMADE M&A AND DEBT ADVISORY SERVICES

Over the last 20 years, the MCF Industrials team has built long-lasting relationships with industry specialists and management teams across the broader Industrials and Flow Control sectors. Our expertise, combined with our transatlantic capabilities, allows us to offer a full-service platform, providing M&A, debt advisory, and capital markets execution services.

400+

INDUSTRIALS
TRANSACTIONS

40+

SPECIALISED
INDUSTRIAL BANKERS

€5bn

TOTAL TRANSACTION
VALUE SINCE 2021



Stefan Mattern
Managing Partner,
Hamburg



Dr Sven Harmsen
Partner,
Frankfurt



Jussi Vuorinen
Partner,
Helsinki



Philipp Landow
Director,
Hamburg



Felix Forberich
Associate,
Hamburg



Andrej Hoteev
Analyst,
Hamburg



Michael Matros
Industry
Adviser



Tim Sznawajs
Head of
Industrials,
Denver



Chris Donegan
Managing
Director,
Boston



James Keckler
Managing
Director,
California



Paul Colone
Managing
Director,
Boston



Chris Vincent
Vice
President,
Denver



SELECTED INDUSTRIAL REFERENCES

INDUSTRIALS

De Dietrich
PROCESS SYSTEMS

acquired

HEINKEL
DRYING AND SEPARATION GROUP

BUY-SIDE ADVISER

INDUSTRIALS

ok
AUFZÜGE
Aufzüge und Sanitärtechnik

sold to

Orona

SELL-SIDE ADVISER

INDUSTRIALS

KATSA

sold to

TWIN(DISC)

SELL-SIDE ADVISER

INDUSTRIALS

ANGER
seit 1863

sold a majority stake to

HERRENKNECHT
Tunnelling Systems

SELL-SIDE ADVISER

INDUSTRIALS

emz¹

financing of the acquisition of

imes-icore[®]
Competence in CHC & DENTAL-Solutions

DEBT ADVISER

INDUSTRIALS

VAAKA PARTNERS

sold its portfolio company

MOLOK[®]
to

SULO[®]

SELL-SIDE ADVISER

INDUSTRIALS

KOLLER

Refinancing of existing debt

DEBT ADVISER

INDUSTRIALS

NALKA

financing of the acquisition of

NORRES

DEBT ADVISER

INDUSTRIALS

WANGEN PUMPEN

a portfolio company of

Silverfleet

sold to

Atlas Copco

SELL-SIDE ADVISER

INDUSTRIALS

EGERIA

financing of the acquisition of

enwitec
electronic

DEBT ADVISER

INDUSTRIALS

A. & H. MEYER

sold to

legrand[®]

SELL-SIDE ADVISER

INDUSTRIALS

Muehlhan AG

European and US operations

sold to

One Equity Partners

SELL-SIDE ADVISER

INDUSTRIALS

IK Partners

acquired

MÜPRO

BUY-SIDE ADVISER

INDUSTRIALS

WÄRTSILÄ

sold its pumps business to

Solix

SELL-SIDE ADVISER

INDUSTRIALS

Wangen PUMPEN

sold to

Silverfleet

SELL-SIDE ADVISER

INDUSTRIALS

FINELCOMP[®]
a portfolio company of

JUURI
PARTNERS

sold to

KAMIC GROUP

SELL-SIDE ADVISER

INDUSTRIALS

Ponndorf

sold to

VERDER

SELL-SIDE ADVISER

INDUSTRIALS

uponor

acquired

Capricorn

BUY-SIDE ADVISER

INDUSTRIALS

KAEFER

acquired the industrial services of

wood.

BUY-SIDE ADVISER

INDUSTRIALS

PSG

acquired

QUATTROFLOW[®]
Fluid Systems

BUY-SIDE ADVISER



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