

# Industrial Technology

Newsletter | May 2021



# Founders' Industrial Technology Newsletter

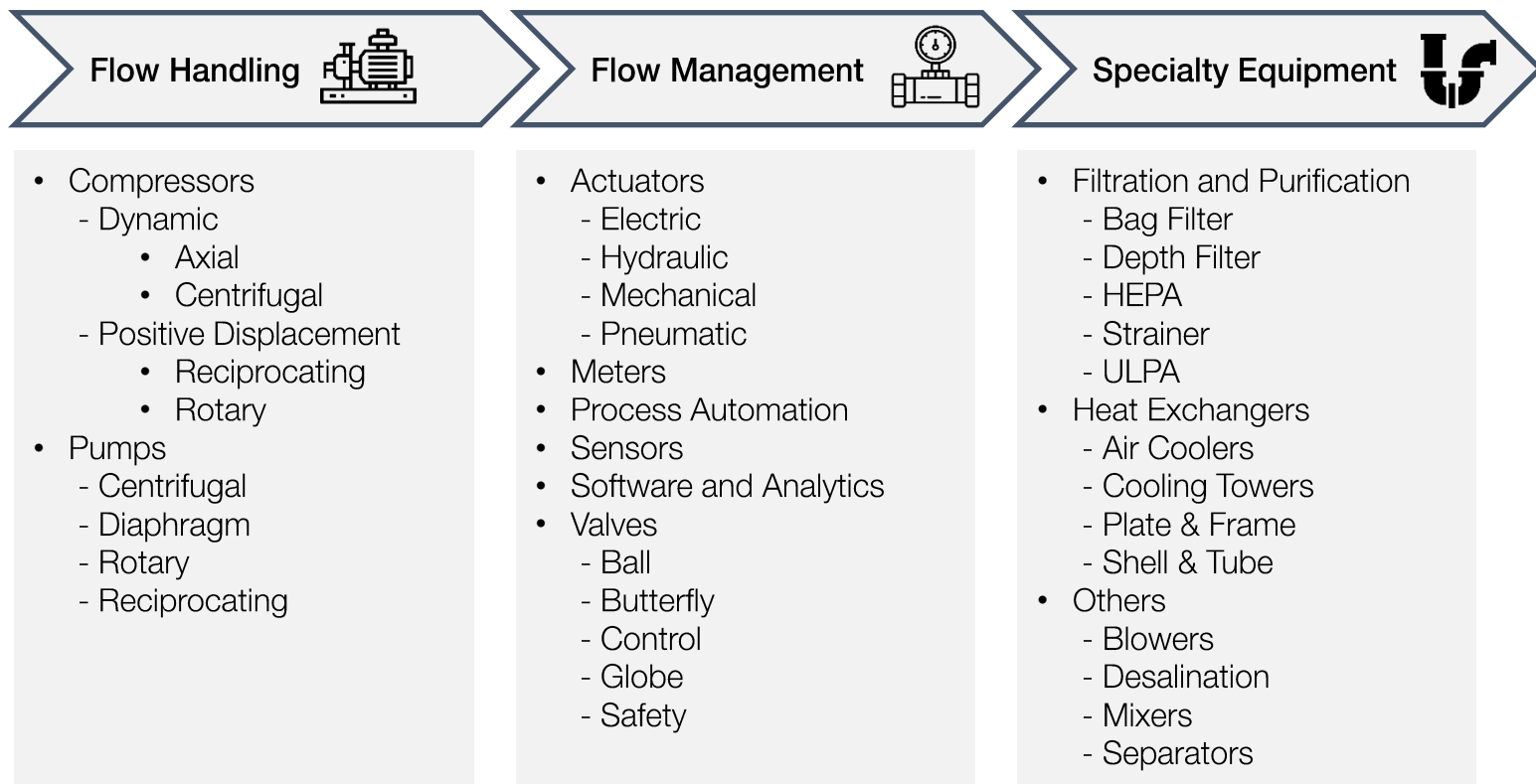
## Introduction

In this edition of Founders' Industrial Technology Newsletter, we focus our attention on the growing flow control market, including the flow handling, flow management, and specialty equipment sectors of the industry.

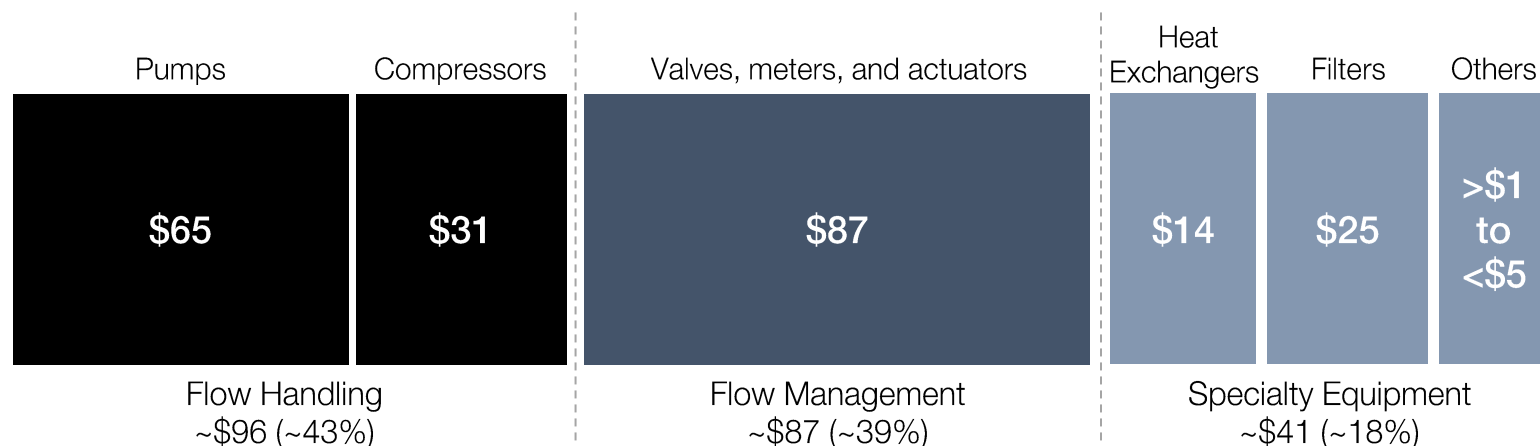
### Key Sector Highlights:

- Flow control provides the equipment, machinery, and solutions that control the flow of liquids and gases
- End markets include oil and gas, food and beverage processing, power, chemical, manufacturing, and municipal
- Flow control is a global industry that historically has outperformed the broader industrial market

## Sector Overview



## Market Sizing



\*\$ in Billions

Source: McKinsey & Company

# Flow Control Market Overview

Sub-Sector	Description	Key Players	
Industrial Pumps	Pumps control liquids, gases, and slurries flowing through a process by various means, including mechanical action and kinetic energy	<ul style="list-style-type: none"> <li>• CIRCOR</li> <li>• Crane</li> <li>• Dover</li> <li>• Ebara</li> <li>• Franklin Electric</li> <li>• Groman-Rupp</li> </ul>	<ul style="list-style-type: none"> <li>• ITT</li> <li>• KSB</li> <li>• Pentair</li> <li>• Roper Pumps</li> <li>• Sulzer</li> <li>• Weir Group</li> </ul>
Filtration	Filtration systems are used between process steps to protect equipment and purify liquids and gasses	<ul style="list-style-type: none"> <li>• 3M</li> <li>• Danaher</li> <li>• Eaton</li> </ul>	<ul style="list-style-type: none"> <li>• Kadant</li> <li>• Parker-Hannifin</li> <li>• Pentair</li> </ul>
Flow Measurement	Products that measure (e.g., sensors, meters, etc.) flow and other variables across a range of industrial processes	<ul style="list-style-type: none"> <li>• Badger Meter</li> </ul>	<ul style="list-style-type: none"> <li>• Emerson</li> </ul>
Specialty Products	Other products and equipment serving niche applications, including heat exchangers, blowers, mixers, and compressors	<ul style="list-style-type: none"> <li>• Alfa Laval</li> <li>• AMETEK</li> <li>• Atlas Copco</li> <li>• Ingersoll-Rand</li> <li>• Siemens</li> </ul>	<ul style="list-style-type: none"> <li>• Spirax-Sarco</li> <li>• Watts Water Technologies</li> <li>• Xylem</li> </ul>
Valves	Valves control the flow, rate, volume, pressure, and direction of liquids, gases, slurries, and solids at various stages in a process. Valves regulate these conditions by opening and closing in response to signals regarding process variables	<ul style="list-style-type: none"> <li>• CIRCOR</li> <li>• Crane</li> <li>• Flowserve</li> <li>• IDEX</li> <li>• IMI</li> <li>• KITZ</li> </ul>	<ul style="list-style-type: none"> <li>• Neles</li> <li>• Mueller Water</li> <li>• Rotork</li> <li>• SMC</li> <li>• SPX FLOW</li> </ul>



# Historical Performance and Markets

Flow control companies continue to trade above other industries while current valuation levels are generally higher than the typical range of the last five years

Company	Enterprise Value	Gross Margin	EBITDA Margin	2021E EV / Revenue	2021E EV / EBITDA
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Industrial Pumps					
CIRCOR International	\$1,199,635	31%	22%	1.5x	10.8x
Crane Company	6,146,709	35%	17%	2.0x	8.7x
Dover	23,866,959	37%	21%	3.2x	15.4x
Ebara	4,057,430	28%	11%	0.8x	6.9x
Franklin Electric	3,792,923	35%	15%	2.5x	17.5x
Gorman Rupp	781,881	26%	14%	2.1x	N/A
Itt	7,345,928	32%	3%	2.7x	13.6x
KSB	634,080	59%	8%	0.2x	N/A
Pentair	12,222,815	35%	19%	3.6x	18.4x
Sulzer	4,492,718	30%	11%	1.2x	9.1x
The Weir Group	8,146,758	36%	19%	2.9x	13.7x

<b>Median</b>	<b>\$4,492,718</b>	<b>35%</b>	<b>15%</b>	<b>2.1x</b>	<b>13.6x</b>
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Filtration					
3M	\$131,007,196	48%	28%	3.8x	13.8x
Danaher	\$197,378,843	58%	31%	7.1x	21.6x
Eaton	\$66,385,855	31%	15%	3.5x	19.2x
Kadant	\$2,093,564	44%	18%	2.9x	15.7x
Parker Hannifin	\$45,712,042	26%	21%	3.2x	15.2x
Pentair	\$12,222,815	35%	19%	3.6x	18.4x

<b>Median</b>	<b>\$56,048,949</b>	<b>40%</b>	<b>20%</b>	<b>3.6x</b>	<b>17.0x</b>
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Flow Measurement					
Badger Meter	\$2,650,251	40%	22%	5.5x	26.5x
Emerson	\$61,687,905	42%	20%	3.4x	15.0x

<b>Median</b>	<b>\$32,169,078</b>	<b>41%</b>	<b>21%</b>	<b>4.4x</b>	<b>20.7x</b>
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# Historical Performance and Markets (Cont.)

Company	Enterprise Value	Gross Margin	EBITDA Margin	2021E EV / Revenue	2021E EV / EBITDA
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Specialty Products					
Alfa Laval	\$15,652,196	34%	20%	3.3x	16.3x
AMETEK	\$32,077,909	35%	30%	6.0x	21.1x
Atlas Copco	\$72,555,469	41%	26%	5.5x	21.1x
Ingersoll-Rand	\$22,839,458	34%	21%	4.7x	19.9x
Siemens	\$160,634,307	36%	16%	2.2x	14.4x
Spirax-Sarco Engineering	\$13,175,882	76%	26%	6.9x	24.2x
Watts Water Technologies	\$4,443,121	41%	17%	2.7x	15.8x
Xylem	\$22,234,402	38%	17%	4.2x	23.5x

<b>Median</b>	<b>\$22,536,930</b>	<b>37%</b>	<b>21%</b>	<b>4.4x</b>	<b>20.5x</b>
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Valves					
CIRCOR International	\$1,199,635	31%	22%	1.5x	10.8x
Crane Company	\$6,146,709	35%	17%	2.0x	8.7x
Flowserve	\$6,392,896	30%	9%	1.8x	14.1x
IDEX	\$16,896,923	44%	27%	6.4x	23.0x
IMI	\$6,723,378	45%	21%	2.6x	12.9x
KITZ	\$746,471	26%	11%	0.7x	5.4x
Mueller Water Products	\$2,522,230	34%	20%	2.4x	11.9x
Neles	\$2,281,920	34%	20%	3.1x	16.4x
Rotork	\$3,995,002	47%	27%	4.7x	17.1x
SMC Corporation	\$32,371,105	48%	N/A	5.7x	17.4x
SPX Flow	\$2,923,992	35%	12%	1.9x	13.8x

<b>Median</b>	<b>\$3,995,002</b>	<b>35%</b>	<b>20%</b>	<b>2.4x</b>	<b>13.8x</b>
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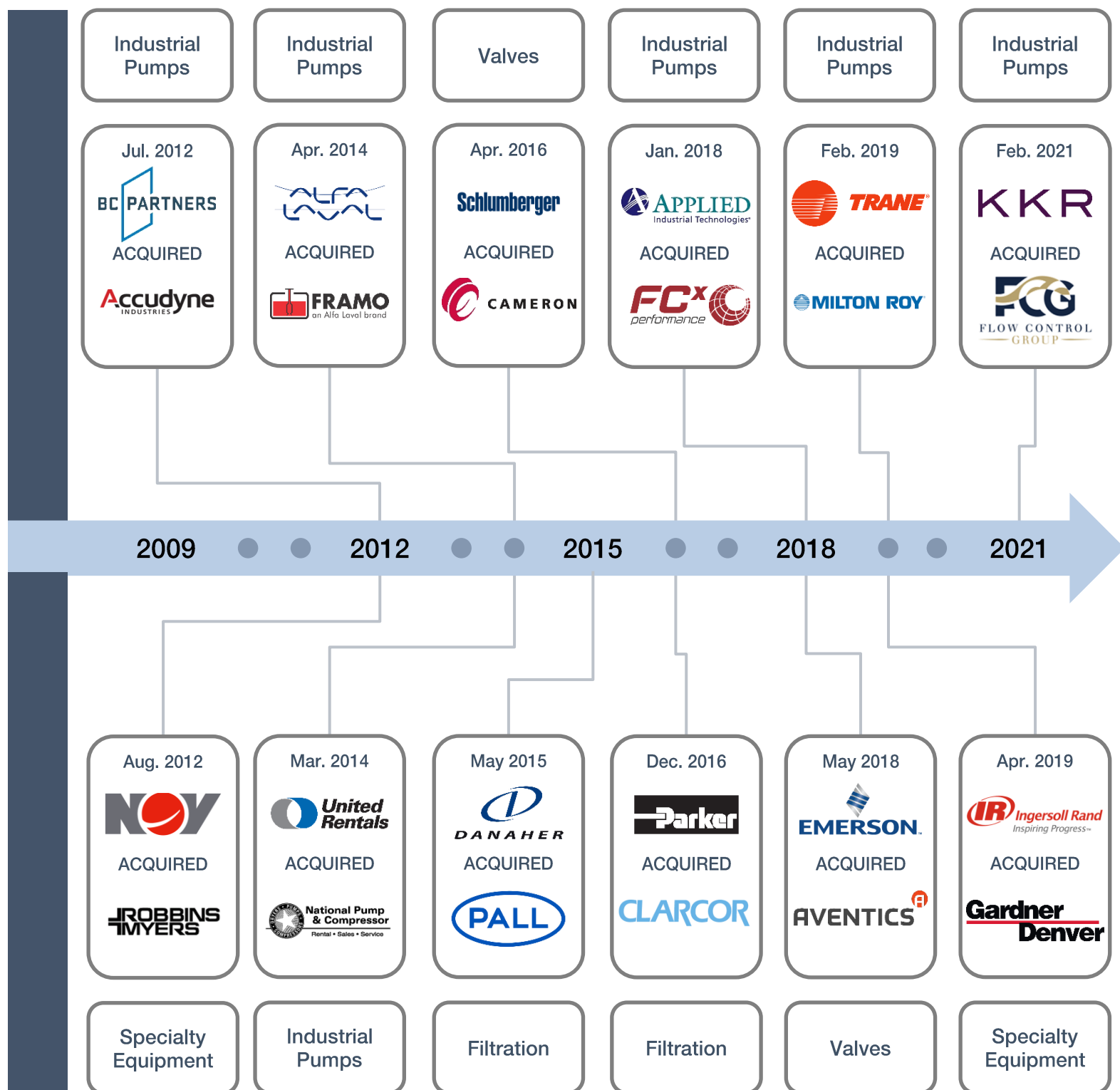
<b>Total Median</b>	<b>\$6,558,137</b>	<b>35%</b>	<b>19%</b>	<b>2.9x</b>	<b>15.5x</b>
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# Selected Flow Control Transactions

Announced Dates	Acquirer	Target	Commentary / Rationale	EV (\$mm)	EV / EBITDA
2-17-21	KKR	Flow Control Group	Flow Control Group serves as a trusted, value-added distributor and advisor to more than 10,000 customers and 2,000 suppliers in North America for technical flow control and industrial automation products and related services	\$1,000	NM
2-4-21	Frontenac Company	Swanson Flo	Frontenac owns MCE, a leading supplier of technical fluid power and lubrication solutions. Swanson Flo extends MCE's offering of highly-engineered, technical solutions by providing leading flow control products and services	NM	NM
1-18-21	SPX Flow	UTG Mixing Group	The addition of UTG's operations, based in Finland and Germany, will add technology, manufacturing capacity and technical expertise to SPX FLOW's already robust global portfolio of mixing and blending solutions, including Lightnin, Plenty and APV	\$40	NM
11-03-20	Badger Meter	s::can	Real-time water quality parameters enhances the scope of actionable data for municipalities to improve operational security, awareness, and efficiency	\$32	NM
10-2-20	Piovan	DOTECO	The acquisition of Dotecco strengthens and increases Piovan's global technological leadership in the treatment of plastic and food polymers and powders	\$26	6.5x
2-29-20	IDEX Corporation	Flow Management Devices	A provider of flow measurement systems that ensure custody transfer accuracy in the oil and gas industry. Extends expertise in the energy sector where IDEX already currently serves refineries and chemical manufacturers.	\$125	10.4x
2-05-20	Halma	Sensit	The growth for the natural gas leak detection market is supported by tightening safety and environmental regulatory standards, protecting workers from hazards, and minimizing climate change impacts	\$52	11.7x
4-30-19	Ingersoll Rand	Gardner Denver	Gardner Denver combined with Ingersoll Rand Industrial to provide a stronger, broader portfolio of mission-critical industrial, energy, medical and specialty vehicle products and services	\$15,400	9.6x

# Historical Flow Control Transactions

The Flow Control market has experienced several sector shifting large transactions, with the most recent being the acquisition of the Flow Control Group by KKR in February of 2021



Transactions shown exceed \$500mm in Enterprise Value

# Flow Control Showing Resilience, Bounce back from Year of Uncertainty

In the wake of COVID-related disruptions, Flow Control companies are benefiting from accelerated adoption of key technologies around automation and process solutions

## Flow Control Sector Poised for Continued Strong Recovery



### Index Key

Badger Meter  
CIRCOR International  
Dover  
Eaton  
Emerson Electric

Flowserve  
Gorman Rupp  
Ingersoll-Rand  
Mueller Water Products  
Parker Hannifin

Pentair  
Roper Technologies  
SPX Flow  
Sulzer  
Xylem



# Key Player Perspectives

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Major Flow Control market participants see cause for increased optimism and accelerated growth as the Coronavirus continues to wane in 2021 and moving into 2022

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**Dover**, *Richard Tobin – President and CEO*

*(Q1 2021 Earnings Call)*

“There are several factors driving healthy customer activity, including pent-up demand from last year as a result of low starting channel inventories in certain sectors. As I also mentioned in my opening remarks, this is further influenced by tight supply chains and materials inflation positively contributing to seasonal demand and backlog build as our customers and channels positioned themselves to meet their forecasted demand.”

**Emerson**, *David Farr – Chairman and CEO*

*(Q1 2021 Earnings Call)*

“I think the conversation with my fellow CEOs, is that the capital and industrial markets are opening up and are talking about spending money, and about bringing lines back up and beginning to get some incremental capacity.”

**Flowserve**, *R. Scott Rowe – President and CEO*

*(Q1 2021 Earnings Call)*

“Although the various regions and countries we serve are on different trajectories in terms of vaccinations, infection rates, return to mobility and overall economic recovery, we are confident that the world is making steady progress as economies emerge from this global pandemic. As a result, we have started to see these green shoots of activity translate into sequential bookings growth.”

**IDEX**, *Eric Ashleman – President and CEO*

*(Q1 2021 Earnings Call)*

“We recently allocated some of our most talented resources towards focused strategy and business development roles, and we engaged external expertise to expand our ability to identify, assess, win and successfully integrate new companies into IDEX. Our deal funnel is expanding as we look for more opportunities to acquire organizations that fit the IDEX style of competition.”

**Parker Hannifin**, *Thomas Williams – Chairman and CEO*

*(Q3 2021 Earnings Call)*

“Vaccines are making progress around the world. There's going to be a significant amount of climate investment. And if you put all that on top of low interest rates, pent-up CapEx demand, and fiscal spending, you have a very attractive environment for industrials for the next several years.”

**Pentair**, *Robert Fishman – Executive VP, CFO, and CAO*

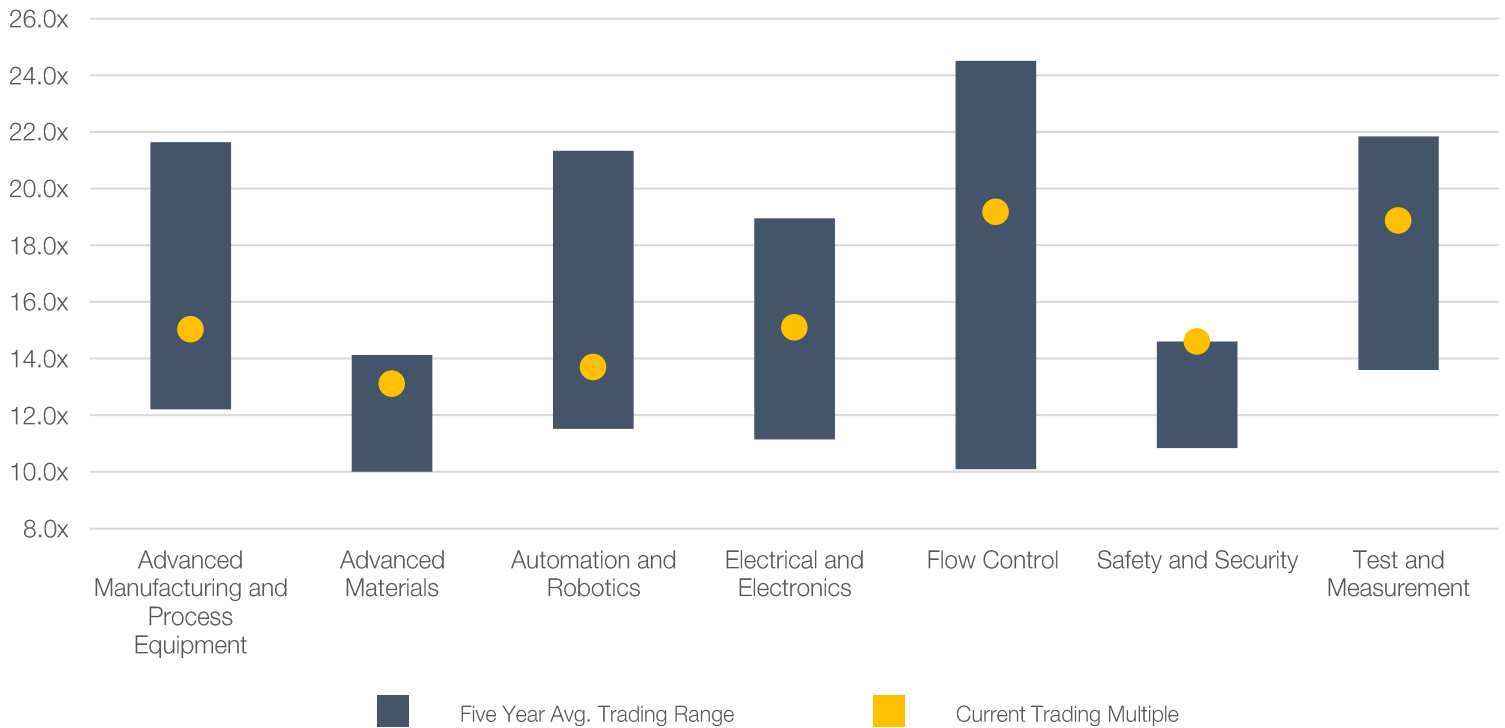
*(Q1 2021 Earnings Call)*

“We saw strong demand for pumps during the quarter and continued to see broader adoption of our variable speed pumps as a new DOE regulation goes into effect later this year. Demand for heaters remains quite high, and we have significantly increased our production capacity.”

# Historical Trading Multiple Ranges

Industrial Technology companies continue to trade above other industries while current valuation levels are generally higher than the typical range of the last five years

Trading Comparables by Vertical – Historical Ranges vs Current Multiples



Selected Players in Markets Served

## Advanced Manufacturing and Process Equipment



## Advanced Materials



## Automation and Robotics



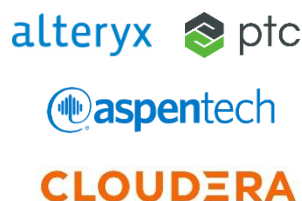
## Electrical and Electronics



## Flow Control



## Industrial Internet of Things



## Safety and Security



## Test and Measurement



# Founders' Industrial Technology Overview

Founders' industrial technology team features niche expertise in the industrial technology sector, which includes companies that leverage proprietary products and solutions across numerous end-markets

## Industrial Technology Team



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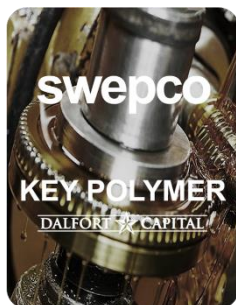


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*Analyst*

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## Select Industrial Technology Transactions



# About Founders Advisors

## Who We Are

### Serving Founders and Business Owners

- Independent investment banking advisory firm focused on founder-owned small and medium sized businesses since 2003
- Senior bankers with decades of experience in banking, private equity, business development, industry, and entrepreneurship
- Headquartered in Birmingham, AL, with offices in Dallas and Houston
- Industry expertise across six focus industries of Consumer, Industrial Services, Healthcare, Technology, Industrial Technology, and Energy
- Founders has been a trusted advisor to hundreds of small and medium sized business owners, supporting growth and transitions through tailored financing, recapitalization, and transaction solutions

## Industry Coverage

Consumer



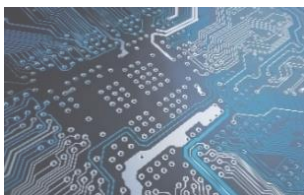
Industrial Services



Healthcare



Technology



Industrial Technology



Energy



## M&A and Financing Expertise

Sell-Side M&A

Buy-Side M&A

Leveraged Recapitalization

Debt Financing

Minority Recapitalization

Growth Capital

## Office Locations

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