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**BAIRD**

Global Investment  
Banking

**BAIRD'S PERSPECTIVE ON THE FLOW, MOTION  
AND POWER TECHNOLOGIES SECTOR**

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# Flow, Motion and Power Technologies Update

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# Flow, Motion and Power Technologies Sector Highlights

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M&A activity in the Flow, Motion and Power Technologies (FMPT) sector has remained substantial in YTD 2023. Most leading U.S. companies have continued to report earnings growth in 2023, with the outlook for 2024 somewhat uncertain due to the potential lag effect of increased interest rates on economic activity as well as soft conditions in certain end markets. Over the longer term, we expect the FMPT sector to generate high levels of M&A activity based on positive secular trends as well as plentiful consolidation opportunities.

## **Solid M&A Activity**

- Through the first 10 months of 2023, the number of deals tracked below 2021-2022 levels amid a slowdown in broader M&A market activity. Of note, 2021-2022 were the top two years for deal counts in the 19 years of our M&A data set for the sector.
- The pace of transactions compared favorably to activity in years prior to 2021; if annualized, the number of M&A deals in 2023 would exceed the totals of each year from 2005 to 2020.
- M&A transactions have generally been smaller than in recent years, with the average disclosed value for YTD 2023 deals tracking toward the lowest figure in our 19-year data set.
- We anticipate healthy levels of acquisition activity in 2024 and beyond based on the sector's secular growth drivers as well as potential for improving M&A market fundamentals over the course of the next year, particularly as financing rates begin to ease.

## **Growth for Public Company Results**

- Solid levels of M&A activity in the sector have been supported by company performance, as evident in the results for leading public companies in recent periods, including year-to-date 2023.
- For the Baird Research Flow, Motion and Power Technologies Group (BRG), estimates for 2023 revenue and earnings are close to unchanged on an aggregate basis versus expectations at the start of the year, albeit with divergent revisions among companies.
- Estimates for 2024 also have held steady overall, with ongoing economic concerns offset by passage of the U.S. infrastructure stimulus bill, which is expected to support projects in the water / wastewater, power generation, transportation, and construction end markets.
- Median revenue expansion for the BRG during 2024 is currently expected to be 2%, while median EBITDA growth is forecast at almost 10%. For 2024, median growth for revenue and EBITDA is projected in the mid-to-upper single-digits.
- Although raw material pricing is expected to remain a headwind in the near term, products with differentiated technologies will have opportunities to improve margins via price stickiness as commodity prices decline.

## **Focusing on Environmental Impact**

- Over the long term, FMPT companies are well positioned to capitalize on the rising ESG requirements of customers, as implementing the newest models of process control equipment enhances environmental compliance.
- End users are seeking operational and process improvements that translate to higher sustainability ratings. Accordingly, companies are focusing R&D efforts on product innovations that support environmental compliance for customers.
- An extended period of hefty investments in renewable energy will benefit the sector, as the EIA recently projected annual renewable energy consumption growth of 118% on a global basis through 2050.

## **Improving Energy Efficiency**

- Interest among customers in energy-efficient products has increased in recent years due partly to higher commodity costs.
- Another factor in rising end user demand for products that enhance energy efficiency is increased regulations related to energy efficiency, with these going hand in hand with stricter environmental standards.
- As a result, FMPT products should experience ongoing mix shifts toward higher-efficiency versions over an extended period.
- Emphasis on energy efficiency, coupled with the greater availability of energy-efficient products across categories, could accelerate product replacement, enhancing this large and growing sales driver for FMPT companies.

## **Digitalization Enabling Data Usage**

- FMPT companies are increasingly focused on providing connected products and software systems that enable customers to collect and analyze operating data as a means of improving work flows and simplifying documentation.
- For leading companies with an integrated offering of products and software systems, domain knowledge provides a key competitive advantage versus product-only peers and pure software firms.
- Within the operations of FMPT companies, labor constraints and emphasis on process efficiency are driving production innovation and digitalization efforts to support automation, Internet of Things (IoT), and data collection / analysis.

## **Renewable Energy Expansion**

- Stemming from greater focus on environmental sustainability and energy efficiency, the FMPT sector will benefit from rising demand related to growth in consumption and generation of renewable energy.
- The EIA recently projected annual renewable energy consumption to more than double by 2050, far outpacing estimated growth for other energy sources.

# Baird's Flow, Motion and Power Technologies Leadership



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## Extensive Transaction Experience in the Flow, Motion and Power Technologies Sector:

- \$66.5 billion of Flow, Motion and Power Technologies transactions since 1999
- Completed transactions covering all Flow, Motion and Power Technologies products and end market sectors
- \$52.4 billion in M&A, consisting of 126 transactions
- Average M&A transaction size of \$419.6 million
- \$14.0 billion in equity capital raised since 2001, with an average offering size of \$292.0 million

## Recent Baird Flow, Motion and Power Technologies M&A and Equity Advisory Transactions

building better companies  
 Acquisition of  
**MICROPUMP**  
 From

**ARAG**  
 A Portfolio Company of  
**capvis**  
 Sale to

building better companies  
 Acquisition of  
**PROCON**  
 custom | fluid | solutions<sup>®</sup>  
 From

OHIO MEDICAL  
 A Portfolio Company of  
**TENEX** CAPITAL MANAGEMENT  
 Sale to

**HAYWARD**  
  
**\$396,502,500**  
 Common Stock  
  
*Follow-on Offering*

Audax Private Equity  
 Acquisition of  
 FLOW CONTROL HOLDINGS  
 A Portfolio Company of  
 the edgwater funds and JZ PARTNERS

**CURTIS**  
 Sale to

**DIVERSITECH**  
 A Portfolio Company of  
**PERMIRA**  
 Sale to

**DORNER**  
 A Portfolio Company of  
**IEQT**  
 Sale to

ASPEN PUMPS GROUP  
 A Portfolio Company of  
**3i**  
 Sale to

**Gardner Denver**  
 Merger with  
 Industrial Segment  
 of

**CIRCOR**  
 Sale of its  
 Instrumentation and  
 Sampling Business  
 to

BAIRD'S PERSPECTIVE ON THE FLOW, MOTION  
AND POWER TECHNOLOGIES SECTOR

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# Executive Summary





# Executive Summary

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**Introduction.** Baird has an extensive history of working with industrial technology companies in a wide range of sectors, including the Flow, Motion and Power Technologies (FMPT) category. The following is our Global Investment Banking department's 14th annual full-length report covering the sector (formerly titled Process Controls). FMPT companies design, manufacture, distribute, and service devices such as valves, pumps, compressors, seals, electric motors, generators, mechanical power transmission and motion control products, and hydraulic components, all of which are used to move, control, and measure substances flowing through various stages of a production process.

**Market Overview.** The global FMPT industry, as defined for the report's scope, generates \$200+ billion in annual revenue and has the potential for long-term growth in the low to mid-single-digits. The category is best described as a sector of cyclical growth companies with earnings influenced by global economic trends over shorter periods and driven higher in the long run by overarching secular forces within and across key end markets.

**Recent Results and Near-Term Outlook.** The FMPT universe is on track for moderate revenue growth in 2023.

- Relative to expectations at the start of this year following a strong 2021-2022, estimate changes for 2023 revenue and earnings among leading U.S.-based public companies have been balanced between upward and downward revisions.
- Estimates for 2024 also are close to unchanged for the group on a net basis, with the anticipated benefits of recent infrastructure legislation offsetting expectations of challenging conditions in certain end markets.
- Baird Research describes 2024 as unlikely to be a year of uniform growth / recovery, as short-term economic risks remain high.

**Secular Demand Drivers.** The extended sector outlook is positive based on a variety of secular growth drivers that are enhancing demand for innovative FMPT products and solutions.

- Environmental sustainability, as demand has increased for products that help end users achieve operational and process improvements geared toward higher sustainability ratings.
- Energy efficiency, with cost saving motivations (given elevated commodity prices) and environmental considerations sharpening end user focus on operating in an energy-efficient manner, supporting ongoing mix shifts toward higher-efficiency versions of products.
- Digitalization, as a rising number of networked products are feeding relevant data into analytics software suited for process and maintenance management.
- Renewable energy, which will experience major investments to sustain growth on a global basis amid the push toward sustainability and energy efficiency, benefiting demand in the sector.

**End Markets.** Factors affecting sector results also include global industrial and economic trends as well as new capital investment and maintenance activity in key end markets. The construction, power generation, oil & gas, chemicals, water, and general industrial markets comprise more than half of revenue in the sector.

To date in 2023, activity in key end markets has varied widely. Oil & gas, non-residential construction, and water have experienced solid results, while residential construction, chemicals, and general industrial have been weaker.

Notable points on key end markets include:

- U.S. residential construction has contracted in YTD 2023 amid large increases in mortgage rates from historically low levels, with declines in housing starts expected to continue in 2024. After returning to growth in 2022, the non-residential market has registered major expansion in YTD 2023 based on pent-up demand in several segments, although deceleration is anticipated next year.
- The long-term outlook for power generation projects is strong due to the massive investments needed in renewable energy generation and across emerging markets.
- In the oil & gas market, the environment for capital spending is favorable in view of previous underinvestment, supportive oil pricing, elevated backlogs, and energy security themes.
- Activity in the global chemicals market has decelerated amid moderation in the general industrial market. On a global basis, capital expenditures in the chemicals sector appear to have stalled relative to the growth seen in 2021-2022.
- In the water / wastewater market, long-term growth in the low to mid-single-digits should be driven by population growth, rising living standards, industrialization in emerging markets, and repairs and replacement for existing systems. U.S. demand is also influenced by infrastructure legislation leading to incremental spending on water and wastewater systems.

**M&A Activity.** Significant deal activity over an extended period has been driven by fragmentation, scale economies, product portfolio expansion, cross-selling potential, geographic entry, technology content, access to new capabilities, and divestitures.

M&A in the sector has been substantial in YTD 2023 despite falling behind the all-time highs of 2021-2022. Strategic and financial sponsor buyers in the sector have aggressively pursued targets with attractive long-term growth potential. We have also seen high levels of divestiture activity resume as companies have refocused on portfolio management in a more normalized environment.

Although an uncertain macroeconomic environment could continue to weigh on M&A activity, we expect significant levels of deal making in 2024 and beyond based on widespread consolidation opportunities and eventual improvement in M&A market conditions, particularly as interest rates begin to decline.

BAIRD'S PERSPECTIVE ON THE FLOW, MOTION  
AND POWER TECHNOLOGIES SECTOR

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# Flow, Motion and Power Technologies Overview



# Flow, Motion and Power Technologies Overview

## RECENT SECTOR RESULTS AND NEAR-TERM OUTLOOK

After a sizable rebound in 2021 and continued expansion in 2022, the sector has experienced moderate growth amid varied cross-currents during YTD 2023. For leading U.S.-based public companies, this year's revenues have been roughly in line with the expectations in place at the outset of the year. The current outlook for 2024 is mixed, with increasing benefits from secular drivers possibly offset by continuation of subpar conditions in the broader industrial economy and in certain end markets.

The following page summarizes changes to revenue and earnings estimates during 2023 for the Baird Research Flow, Motion and Power Technologies Group (BRG), while pages 19-21 include 2023-2024 forecasts for a broader set of companies.

- For the BRG as a group, nearly all current 2023 estimates for revenue, EBITDA, and EPS are within a couple of percentage points of forecasts in place at the start of this year. The latest projections are a function of divergent conditions across end markets as well as the continued impact of cost inflation.
- Estimates for 2024 also have generally held steady for the group overall, even with widely varying revisions among individual companies. Analysts appear to have tempered growth expectations due to concerns about the demand outlook in certain end markets (primarily residential construction and general industrial) plus the potential for recessionary conditions for at least part of next year.
- Median revenue expansion for the BRG during 2023 is currently expected to be 2%, while median EBITDA growth is forecasted at almost 10%. For 2024, median growth for revenue and EBITDA is projected to be in the mid-to-upper single-digits.

Looking more closely at drivers of company performance in the sector, the environment should include several tailwinds as well as near-term headwinds. Positive factors for revenue and margins in the sector should include:

- Continuation of solid growth in favorable end markets (e.g., oil & gas, water).
- Widespread price increases implemented in response to cost inflation; although raw material pricing is expected to remain a headwind in the near term, products featuring differentiated technologies with price stickiness will have a margin improvement opportunity as commodity prices decline.
- Products sold into short-cycle residential and industrial end markets could see growth in 2024 even if these markets stay weak given easy comparisons versus 2023's substantial destocking, which was driven by high cost-to-carry inventory and softer demand.

While the sector is still expected to generate moderate growth in the near term, the following factors could limit the upside:

- Potential for recessionary conditions in the U.S. and Europe following sharp increases in interest rates.
- Negative impact of elevated interest rates on the ability to finance large projects.
- Continuation of slower growth in China, a key geographic market for many companies.
- Extensive geopolitical tensions in several regions.
- Persistent margin pressures, as many respondents to the latest Baird Research survey noted inflation remaining a drag on profits despite commodity costs normalizing.
- Distributor destocking as manufacturer lead times improve with continued supply-chain easing and variable demand levels.

Based on the factors noted previously, the sector outlook is somewhat clouded in the near term. We also take note of the latest quarterly sector survey conducted by Baird Research revealing that quoting / bidding activity (while still flat to increasing for almost two-thirds of respondents) slowed sequentially in Q3. Additional considerations related to expected future results include:



















- Pent-up demand after years of long-cycle project deferrals, which could translate to improved visibility once more end-market buyers have sufficient confidence to proceed with larger projects.
- After extensive disruption related to COVID as well as geopolitical issues, onshoring along with focus on securing domestic supply chains have emerged as themes for many FMPT customers, resulting in incremental project opportunities.
- Recent passage of major federal infrastructure legislation in the U.S., thereby addressing the widely acknowledged need to repair and replace aging infrastructure across the country.
- Substantial global infrastructure needs, especially in emerging markets, where inadequate infrastructure must be augmented and upgraded to handle industrial expansion, population growth, and rising living standards. In developed countries, rising awareness of the impact of delayed spending should lead to increased investments in infrastructure.
- Emerging secular themes of environmental sustainability, energy efficiency, digitalization, and renewable energy, which are discussed in further detail on pages 7-8, as these will be powerful growth drivers for the sector over an extended period.
- Potential margin expansion if inflation-fueled price increases stick while costs subside, with improved profitability supporting further spending on the technology innovations needed to capitalize on the secular growth drivers noted just above.



## Flow, Motion and Power Technologies Overview

For companies in the Baird Research Flow, Motion and Power Technologies Group, current expectations for 2023-2024 revenue and earnings, in aggregate, are similar to estimates from the start of the year; however, estimate changes for individual companies vary widely, reflecting exposure to the impact of end market trends and cost inflation.

### Changes in Consensus Analyst Forecasts for Baird Research Flow, Motion and Power Technologies Group

Company Name	Change from Prior Forecast								
	Revenue			EBITDA			EPS		
	Q4 2023	2023	2024	Q4 2023	2023	2024	Q4 2023	2023	2024
 ZDS	(8.6%)	(8.1%)	(7.6%)	(12.0%)	(4.3%)	(3.5%)	(13.9%)	(1.2%)	(5.0%)
 AC Smith <small>Innovation has a name.</small>	0.8%	3.2%	3.7%	3.1%	13.4%	10.2%	8.0%	16.9%	16.2%
 DOVER	1.1%	(1.3%)	(0.7%)	6.2%	(1.8%)	(0.7%)	8.1%	(1.0%)	(2.9%)
 EMERSON	12.9%	5.5%	7.6%	5.6%	5.8%	(0.4%)	11.2%	14.3%	22.8%
 FLOWERVE	4.1%	10.1%	10.4%	2.0%	14.8%	17.7%	(3.9%)	18.8%	21.7%
 Franklin Electric	(0.7%)	1.3%	4.1%	(6.0%)	3.7%	(0.6%)	(12.0%)	(0.9%)	(2.0%)
 Gates	5.4%	1.7%	0.9%	8.6%	4.8%	4.4%	2.0%	3.6%	4.5%
 GENERAC	(3.3%)	(6.4%)	(7.7%)	(0.4%)	(17.7%)	(11.9%)	(2.7%)	(27.9%)	(19.2%)
 GRACO	(2.7%)	(0.2%)	(2.9%)	12.7%	8.9%	4.6%	7.7%	9.9%	5.4%
 HAYWARD	1.9%	(14.6%)	(10.4%)	5.8%	(17.1%)	(8.7%)	6.0%	(30.9%)	(17.8%)
 IDEX	(7.0%)	(2.6%)	(2.2%)	(8.6%)	(4.3%)	(3.7%)	(15.5%)	(4.4%)	(1.8%)
 IR Ingersoll Rand <small>Inspiring Progress™</small>	10.9%	11.1%	10.7%	11.9%	13.3%	12.8%	8.4%	12.2%	12.0%
 ITT	3.4%	4.6%	5.7%	(3.5%)	2.5%	5.3%	(4.3%)	2.9%	6.2%
 MUELLER	(9.2%)	(10.6%)	(12.9%)	(19.3%)	(19.1%)	(8.8%)	(24.4%)	(25.5%)	(15.0%)
 Nordson	0.4%	(2.7%)	(1.6%)	0.7%	(2.8%)	(1.9%)	(6.7%)	(5.9%)	(8.1%)
 Pentair	(6.2%)	(2.4%)	(1.6%)	0.8%	7.3%	10.1%	(4.9%)	3.6%	6.5%
 WATTS	6.6%	2.7%	5.1%	7.6%	11.2%	14.3%	6.6%	13.6%	12.7%
 ZURN ELKAY <small>WATER SOLUTIONS</small>	(4.1%)	(2.0%)	(3.1%)	1.0%	(2.2%)	(0.7%)	4.0%	(2.1%)	(1.8%)
<b>Mean:</b>	0.3%	(0.6%)	(0.1%)	0.9%	0.9%	2.1%	(1.5%)	(0.2%)	1.9%
<b>Median:</b>	0.6%	(0.7%)	(1.2%)	1.5%	3.1%	(0.5%)	(0.4%)	1.0%	1.3%

Source: Baird Research, Capital IQ. Changes from prior forecast are based on October 31, 2023, consensus estimates versus December 31, 2022, consensus estimates. Regal Rexnord and Xylem are excluded based on significant acquisitions completed since year-end 2022. Veralto is excluded due to limited public company history.

# Flow, Motion and Power Technologies Overview

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## Selected Baird Research Commentary on Flow, Motion and Power Technologies Companies

### Advanced Drainage Systems, Inc. – 11/2/23

“WMS posted operational upside on continued strong margin performance against depressed volumes. Guidance was raised for F2Q overage, but F2H expectations largely unchanged, which we view as conservative, and we see upside levers (particularly margins). End market outlook is unchanged, assuming headwinds persist into next year (though residential comps should ease from here) which we view as realistic.”

### Dover Corporation – 10/24/23

“A path to differentiated 2024 growth remains intact given easy destock comparisons (biopharma, DEP headwinds from labor strikes, heat exchanger destock in Europe, broader inventory correction driven by a higher cost to carry, fueling) as well as growth end markets which include CO2 systems, clean energy, connectors, waste handling, and componentry. Biopharma and Heat Exchangers end markets could see positive yoy growth as well.”

### Flowserve Corporation – 10/26/23

“Broader outlook within served end markets is encouraging, especially as macroeconomic conditions remain opaque. Tailwinds in energy (underinvestment, LNG demand, downstream O&G maintenance spending, decarbonization investments) and power (energy security / independence, nuclear) should provide avenues for continued growth, while GI / chemical (historically more GDP-tied) industries have more diversified application sets and meaningful exposure to aftermarket streams (utilization remains high).”

### Graco Inc. – 10/26/23

“Management maintained 2023 revenue outlook as backlog, underlying demand, and new product releases continue to support +LSD% organic growth. Geographically and by segment, expectations are largely unchanged but with modestly weaker Contractor segment volumes and macro conditions.”

### IDEX Corporation – 10/26/23

“Fluid & Metering Technologies: Water (recent investment / internal initiatives, regulatory drivers, strong market positioning / value-added offering), mining, energy, infrastructure, pharma, and battery applications remain growth drivers into 2024 that should more than offset likely weakness in industrial and ag trends. Worth noting, management noted that customers are exercising caution regarding a potential 2024 recession, manifesting in smaller but more frequent batch orders.”

### Ingersoll Rand – 11/2/23

“Another typical IR quarter as execution remains strong, guidance was raised, M&A is active, balance sheet is healthy, and setup into 2024 remains solid. Guidance raised by 3Q overage but likely embeds some conservatism. Next year’s setup is supported by expected improving order trends into 4Q and elevated backlog exiting the year, with execution / balance sheet deployment as consistent upside levers.”

### Regal Rexnord Corporation – 11/1/23

“RRX missed 3Q expectations, driven by greater-than-expected revenue pressures (directionally unsurprising, magnitude larger-than-expected) and higher-than-targeted manufacturing costs (incurred higher costs to minimize customer disruptions during peak plant moves / closures as part of IPS restructuring efforts). 2023 guidance was lowered 12% at the midpoint, with downside drivers split relatively evenly between 3Q miss and lower 4Q demand assumptions (particularly Europe / China).”

### Watts Water Technologies, Inc. – 11/2/23

“End-markets trends mixed into 2024, but buffer points remain intact. Management noted that leading indicators and the interest rate / lending environment signal a potential non-residential and multi-family slowdown into 2024. However, institutional activity should remain supportive, trends are bottoming in single-family new construction, R&R remains healthy, customer backlogs are extended, and additional price actions will take effect in 2024, setting up buffer points in the face of weakening traditional markets.”

### Xylem Inc. – 10/31/23

“Strong demand trajectory into 2024...Top-line setup into 2024 is healthy, with tailwinds from extended backlog (AMI conversion, longer-cycle treatment / service contracts), strong utility spend (runway ahead in both clean and wastewater; benefits emerging 2H24 from IRA / IJA funding), and cross-selling initiatives (early wins in cross-channel initiatives emerging). Industrial businesses should remain resilient (mission-critical solutions, recurring revenue / service streams, attractive exposures in microelectronics / life sciences / power / F&B).”

### Zurn Elkay Water Solutions Corporation – 11/1/23

“Looking ahead to 2024, ZWS acknowledges the weakening underlying indicators / environment but sees its institutional, retrofit exposures and mix within commercial as buffers and they should be able to outperform their end markets (scale, internal growth initiatives, quality, etc.). We agree. By end market, ZWS sees flattish residential, resilient institutional, and commercial contraction, which is a fair starting point for next year recognizing visibility remains low.”





BAIRD'S PERSPECTIVE ON THE FLOW, MOTION  
AND POWER TECHNOLOGIES SECTOR

Flow, Motion and  
Power Technologies –  
Demand Drivers



## Flow, Motion and Power Technologies – Demand Drivers

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The long-term demand outlook for the sector is enhanced by the proliferation of new products and systems that enable customers to operate effectively amid powerful global trends related to environmental sustainability, energy efficiency, digitalization, and renewable energy. We believe these drivers remain in the early innings based on the low level of conversion to the latest version of products as well as the upside potential to be realized via future innovations. As a result, we expect these drivers to gain influence relative to ongoing factors affecting demand, such as varying dynamics in key end markets and the pace of the global infrastructure build-out.

Of note, while discussed separately below, these factors are often interrelated, as (for example) greater use of data enabled by digitalization of products can help customers operate more sustainably and efficiently.

**Environmental Sustainability.** FMPT products and solutions are playing a key role in enabling customers to satisfy increasingly prevalent mandates regarding the environmental sustainability of their operations. The rising influence of the global sustainability movement, which encompasses a range of environmental issues such as greenhouse gas emissions, climate change, and water quality / scarcity, is causing end users to seek operational and process improvements that translate to higher sustainability ratings. Accordingly, companies are focusing R&D efforts on product innovations that support environmental compliance for customers.

Examples of products that promote environmental sustainability include:

- Pumps and valves that enable conservation of liquids / gases
- Water treatment technologies
- Compressors used in biogas production
- High-efficiency water heaters and boilers

We believe environmental sustainability has a lengthy runway as a demand driver. At this point, most corporate sustainability programs are based on longer-term targets that will require substantial progress from the current status. In addition, institutional investors are focused on the ESG initiatives of existing and potential holdings, pushing companies to establish sustainability goals. Future regulatory mandates, with associated tax credits and subsidies, would further enhance adoption of new products that contribute to sustainability. Importantly, the latest versions of products typically outperform existing devices in terms of installation time, installed cost, and durability, which should lead to additional penetration over time. End markets that seem particularly ripe for rising demand related to sustainability include power generation, water, oil & gas, and chemicals.

**Energy Efficiency.** Product development within key FMPT segments has been aligned with widespread emphasis on increasing energy efficiency. Whether motivated by cost savings (particularly amid elevated commodity prices) or environmental considerations, end users of all types are more focused than ever on operating in an energy-efficient manner. As a result, FMPT products are likely to experience ongoing mix shifts toward higher-efficiency versions over an extended period, with the pace of adoption affected by regulatory initiatives (trending toward stricter) and tax incentives along with increased customer awareness and education. Furthermore, cyclical increases in energy costs during periods of higher demand and / or constrained supply (as is the case currently) direct more attention toward improving energy efficiency.

As an example of a product category with large potential for efficiency gains, electric motors account for nearly half of the electricity consumed in the manufacturing sector. Therefore, manufacturers have focused on reducing the power consumption of motors to drive tangible savings. Consequently, growth in high-efficiency industrial motors has far outpaced category growth in recent years. Manufacturers realize 15-30% price premiums over standard efficiency industrial motors, while users can achieve a full return on the incremental cost in less than 12 months through substantial energy savings, as the initial purchase price represents only about 2% of the lifetime cost of a motor.

Emphasis on energy efficiency, coupled with the greater availability of energy-efficient products across categories, could motivate end users to replace existing products earlier than in the past. The size of the installed product base has increased dramatically over the past 10+ years, resulting in a large and growing source of demand for replacement products over the long term.

**Digitalization Enhancing Data Usage.** Leading companies are focused on providing connected products and software systems that enable customers to collect and analyze operating data. Recent innovations include offerings tied to expanding adoption of IoT, which involves communications among embedded and networked devices as a means of improving work flows and simplifying documentation. For most FMPT devices and systems, digitalization is still in earlier stages of the adoption curve, suggesting immense upside potential in the years ahead.

Based on technology development, a rising number of networked FMPT products are feeding relevant data into analytics software suited for process and maintenance management. Such data can help users optimize maintenance activities, saving on aftermarket product and service costs while also reducing plant shutdown durations. Digitalization also supports automation solutions that are in high demand, as many markets contend with high labor costs and a limited supply of skilled workers.



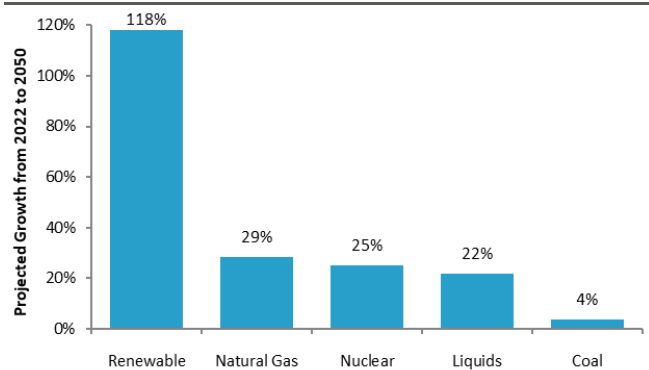
# Flow, Motion and Power Technologies – Demand Drivers

For leading FMPT companies with an integrated offering of products and software systems, domain knowledge provides a key competitive advantage versus product-only peers and pure software firms. Digitalization is one aspect of technology development that will represent a bigger growth driver for innovative companies, with ongoing advances driving product differentiation. Technology innovations should be frequent, as sector leaders continue to focus on sustaining technology advantages versus lower-cost competitors and retaining pricing power.

The water end market represents a prime opportunity for digitalization to gain traction, as utilities seek ways to optimize their management of installed assets. Potential gains through connecting intelligent devices include increased energy efficiency, reduced water loss, greater operational reliability, and insights into potential problem areas in a utility’s network.

**Renewable Energy Growth.** The sector will benefit from increased demand related to growth in consumption and generation of renewable energy, stemming from greater focus on environmental sustainability and energy efficiency. Periods of high energy prices, combined with rising environmental awareness and requirements, have stimulated interest in alternative sources of energy (e.g., solar, wind, hydropower). As a result, most well-populated countries have established energy policies designed to promote renewable power generation and lower emissions. Across the world, new government regulations and standards are a function of heightened desire among representatives and constituents to reduce the carbon footprint of energy production and usage. Projected trends toward further growth in CO2 emissions, particularly in developing markets, highlight the need for low carbon footprint technology.

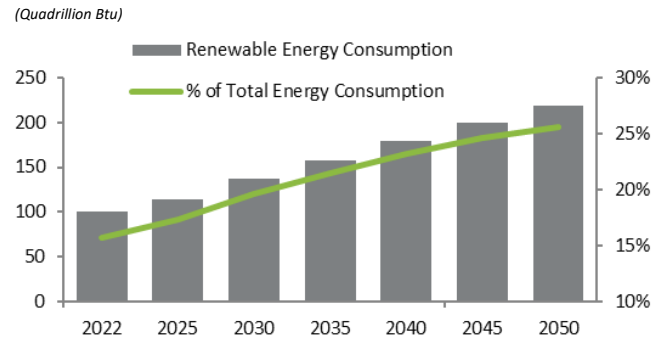
## Global Energy Consumption Growth



Source: EIA.

Over the next few decades, growth in renewable energy consumption is projected to outpace growth in all other energy sources by a hefty margin. In its latest outlook released in October 2023, the U.S. Energy Information Administration (EIA) estimated global consumption of renewable energy to climb 118% by 2050, compared to a 34% increase in total energy consumption over the same period.

## Global Renewable Energy Consumption



Source: EIA.

Spending in the FMPT market will be enhanced by purchases related to developing renewable energy sources and upgrading existing installed capacity to reduce the carbon footprint and promote efficiency. The build-out of renewable energy sources will be supported by new funding and the implementation of energy-efficiency standards across markets. Efforts to diversify energy sources will result in substantial investments in renewable energy. Among projections for renewable energy categories:

- Wind generating capacity is projected by the EIA to increase by threefold from 2022 to 2050, with wind expected to climb to 14% of global electricity generation.
- The EIA forecasts global solar generating capacity to grow an average of 6.6% per year through 2050, when solar is projected to reach 20% of global electricity generation.
- Global hydropower capacity (which rose 2% in 2022) is expected by the EIA to experience modest growth in upcoming years while representing 13% of global electricity generation in 2050. According to global policy organization REN21, the largest markets for hydropower production are (in order) China, Brazil, Canada, the U.S., Russia, India, Norway, Turkey, Japan, and France, with the top four producing more than the rest of the world combined.
- China established a goal of raising the share of non-fossil fuel energy in overall energy consumption from 12% in 2015 to 15% in 2020; after exceeding this goal with a 16% share in 2020, China raised its 2030 target from 20% to 25%, with wind, solar, and hydropower representing key drivers.

The addition of renewable energy sources leads to incremental purchases of FMPT products. For example, wind turbines include motors and generators. Biogas plants are equipped with motors. Transmission infrastructure will be required to connect new sources of alternative energy to the power grid. Furthermore, realization of energy efficiency through new-generation products enables users to reduce energy consumption, lower maintenance costs, and address environmental concerns. For instance, upgrading an HVAC system (with its related FMPT devices) to a more efficient version is a key means of improving energy efficiency in a building or structure.

**BAIRD'S PERSPECTIVE ON THE FLOW, MOTION  
AND POWER TECHNOLOGIES SECTOR**

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# Flow, Motion and Power Technologies – Key End Markets



# Flow, Motion and Power Technologies – Key End Markets

In a normalized environment, Flow, Motion and Power Technologies companies are influenced by global industrial and economic activity, secular growth drivers, commodity prices, and new capital investment and planned maintenance in primary end markets.

In general, the diverse end market mix in the sector mitigates overexposure to any single market as well as the headwinds of a potentially recessionary environment. As depicted in the chart below, a wide range of end markets contribute significantly to the sales mix of the Baird Research Flow, Motion and Power Technologies Group.

The pervasiveness of FMPT products across systems required to support essential manufacturing businesses provides a significant base for demand, which has experienced a major recovery during 2021-2023. Roughly half of sales across end markets are derived from recurring, replacement, and aftermarket business, helping to balance against near-term capex fluctuations related to customers in various end markets.

Over the longer term, sales volumes and pricing premiums across end markets should benefit from customer investments in equipment associated with positive secular trends, such as environmental sustainability, energy efficiency, and connectivity / automation enabled by digitalization.

The following pages provide an overview of the largest end markets, including discussion of key drivers and trends for:

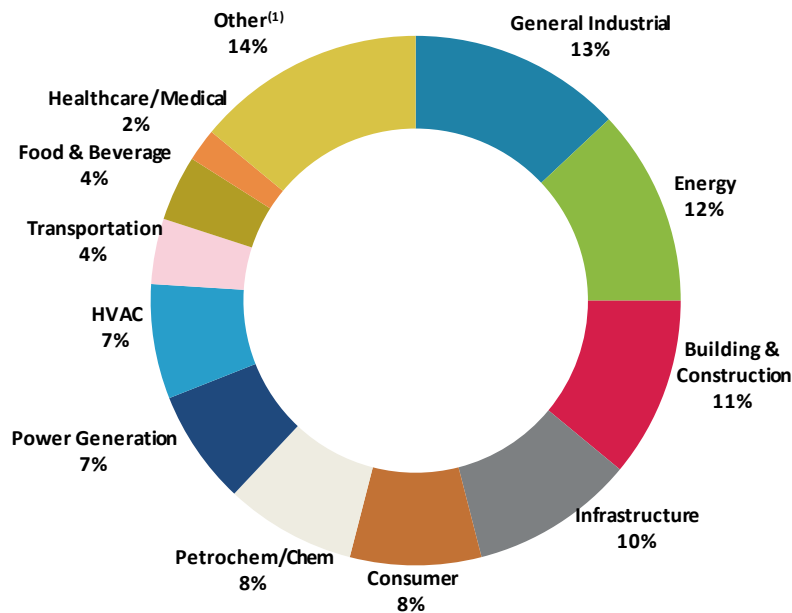
- Construction
- Power Generation
- Oil & Gas
- Chemicals / Petrochemicals
- Water / Wastewater

Combined with general industrial, these end markets comprise over half of sales for the Baird Research Flow, Motion and Power Technologies Group.

In addition, consumer-related end markets have generally been a steadier source of demand in recent years.

- In Food & Beverage, supply-chain pressures have been the catalyst for acceleration of automation efforts.
- In Medical / Pharma / Life Sciences, reshoring of operations to secure supply chains is an emerging theme.

## Baird Research Flow, Motion and Power Technologies Group – End Market Sales Mix



Source: Company reports. Note: Revenue by end market based on revenue for the large majority of companies in Baird Research Flow, Motion and Power Technologies Group (listed on page 19).

(1): Other includes Fire & Safety, Marine, Pulp & Paper, and undefined end markets served by members of the Baird Research Flow, Motion and Power Technologies Group.

# Flow, Motion and Power Technologies – Key End Markets

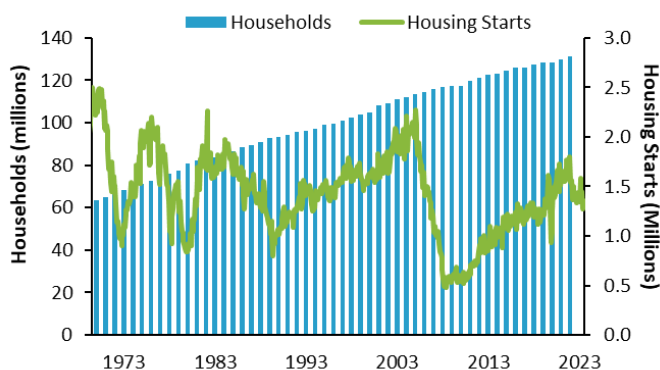
## CONSTRUCTION

Demand for FMPT products is influenced by activity in the residential and non-residential construction markets. After recovering strongly from late 2020 through early 2022, residential markets have lost steam amid much higher mortgage rates. Non-residential activity has strengthened further in YTD 2023 after rebounding in 2022.

Update on residential housing starts:

- Following a decline of 3.7% in 2022, U.S. housing starts dropped 12.6% in YTD 2023 through September, including a 6.0% decline in Q3 as year-ago comparisons began to ease.
- As of October, Fannie Mae projected housing starts to decline 11.7% (to 1.37 million) in 2023. With mortgage rates likely remaining high, starts are expected to fall 9.5% in 2024.

### U.S. Housing Starts and Household Growth



Source: U.S. Census Bureau. Annualized monthly data through September 2023 is shown for housing starts.

Recent building permit data suggests a weak residential outlook. Year to date through September, U.S. building permit issuance was 16.2% below the YTD 2022 average, with permits down 7.4% in Q3. Both housing starts and building permits reached 15-year highs in 2021, causing difficult base period comparisons in 2022 (when permits decreased 4.2%) and 2023. Recent permit trends point to further decreases in starts into 2024, as permits are a leading indicator of starts in the following six to nine months.

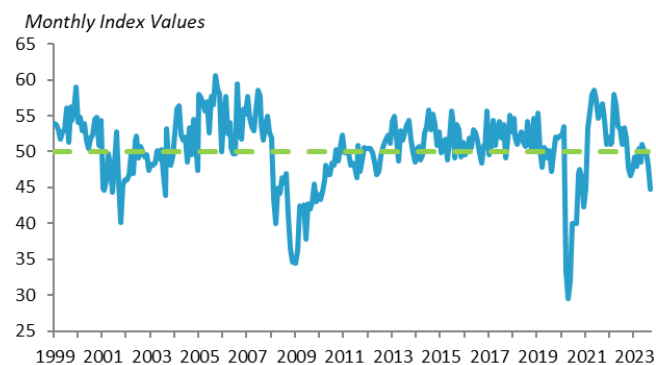
The Housing Market Index (HMI) also indicates a U.S. housing downtrend. The HMI – based on a home builder survey that rates current sales, expectations over the next six months, and prospective buyer traffic – reached a 35-year high in Q4 2020 and was strong throughout 2021. However, the HMI fell sequentially in each month of 2022, while most YTD 2023 values were below the historical average, including in August-October.

In Europe, construction business research group Euroconstruct expects residential and non-residential construction output to decrease about 1% per year in 2023-2024 (after growth of 3% in 2022), driven mainly by lower residential construction due to large mortgage rate increases. Euroconstruct projects slight increases in non-residential spending in both 2023 and 2024.

In the U.S., non-residential construction activity has improved significantly from previous weakness caused by the impact of COVID on certain verticals (e.g., retail, hospitality, office). In the first nine months of 2023, non-residential construction spending rose 18.5%, powered largely by public sector projects as well as the manufacturing sector. This year's spending increases build on growth of 9.1% in 2022.

Signs of future activity for the non-residential segment are less encouraging based on recent readings from the Architecture Billings Index (ABI) of the American Institute of Architects (AIA), a widely monitored leading indicator of non-residential construction in the U.S. The index is based on monthly surveys of AIA member firms, with the value of 50 representing the inflection point between growth and contraction in billings.

### AIA Architecture Billings Index



Source: American Institute of Architects. Data shown through September 2023. Dashed line is inflection point between growth and contraction in billings.

Recent ABI readings indicate a moderate spending decline in the upcoming period. Over the past six months, ABI values averaged slightly under 50, with the September 2023 reading the lowest since late 2020. The lag time of 9-12 months between architecture billings and construction spending implies contraction in the non-residential market during 2024 after strong growth in 2022-2023.

Also of note, the latest AIA Consensus Construction Forecast (which was released in July) projected U.S. non-residential construction spending to edge upward by 2% in 2024 after estimated growth of 20% in 2023. Next year's spending should benefit from further pent-up demand in industrial markets, which have experienced substantial growth in YTD 2023. In addition, the hotel and institutional segments are expected to experience significant construction spending growth next year amid continued recovery from contraction in 2020-2021. Modest declines are projected in 2024 for the commercial, office, and retail segments.



# Flow, Motion and Power Technologies – Key End Markets

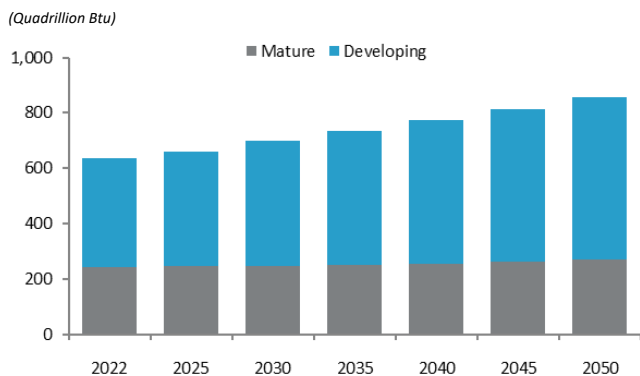
## POWER GENERATION

The long-term outlook for power generation remains positive. Conditions have improved since declining in 2020 due to the impact of COVID on commercial and industrial activity, limiting the near-term need for product replacement and capacity expansion. After total U.S. electricity generation increased 3.3% in 2022, electricity generation in the first half of 2023 was slightly behind H1 2022 levels but up from 2020-2021, according to the EIA. Responses to the latest Baird Research quarterly survey suggested steady trends in the power end market, with energy insecurity, power market disruption, and aging infrastructure driving increased investment.

For power generation, capacity expansion remains oriented toward renewables, natural gas, and distributed energy markets. Long-term investment in clean power sources should accelerate, with renewable energy sources already accounting for the largest portion of new generating capacity, with this estimated to increase 150% by 2050. In contrast, traditional power markets (e.g., coal-fired plants) are projected to face challenges beyond the near term, although activity here has held up fairly well due to Russia’s invasion of Ukraine resulting in the need for certain countries to focus on securing national base load power.

Based on projected energy consumption increases, long-term growth prospects are attractive for power generation. Global energy consumption is projected to grow 34% by 2050, with meaningful contribution from developed regions and faster expansion in emerging markets. In mature markets tracked by EIA (primarily North America, Western Europe, Japan, and South Korea), modest population growth and rising per-person energy usage should enhance demand for FMPT products. For these markets, the EIA projects 11% growth in energy consumption from 2022 to 2050. During this period, the EIA expects global increases in energy usage per person to outpace the rate of efficiency improvements.

### Global Energy Consumption



Source: EIA.

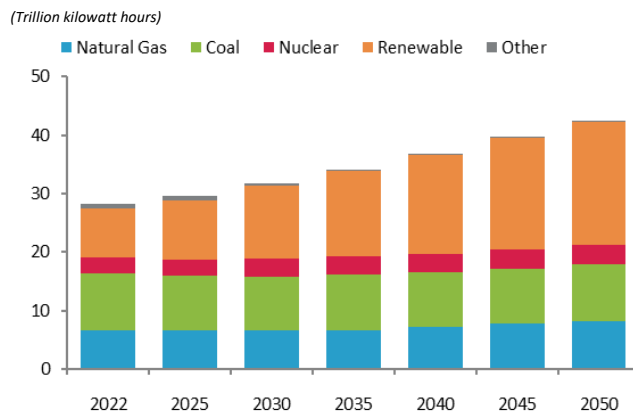
Over the long term, developing economies such as South America, Eastern Europe, Eurasia, China, and India will be the leading consumers of energy on a combined basis, providing a significant advantage to companies focused on these regions. In developing countries, the EIA forecasts energy consumption to rise 48% through 2050, when this segment would represent 68% of the global total, up from 62% in 2022.

Driven by clean energy technology, the medium- and long-term outlook for spending on power generation appears strong. Momentum for investment in clean energy reflects improving cost profiles, elevated fossil fuel prices, and widespread goals related to climate and energy security. Meeting anticipated demand for electricity requires spending on upgrades of aging transmission and distribution infrastructure as well as on incremental transmission infrastructure to connect new sources of energy to the power grid.

Investments required to support growth in power generation should fuel a key end market for FMPT products. The International Energy Agency (IEA) estimates the amount of global energy investments in 2023 at \$2.8 trillion. Spending has increasingly come from clean energy investments, which are expected to represent 62% of the total in 2023 (up from 45% in 2015). Power infrastructure investments are projected to continue, led by China and advanced economies.

Industrial expansion in developing regions, where long-term annual GDP growth of 4%+ is projected, along with government electrification plans will drive future investment in power infrastructure. The IEA estimates that nearly 800 million people lack access to electricity. Upgrades to existing power systems and the development of additional sources of electricity, particularly renewable sources, will be necessary to support the expansion and operation of various sectors.

### Global Electricity Generation by Source



Source: EIA.

# Flow, Motion and Power Technologies – Key End Markets

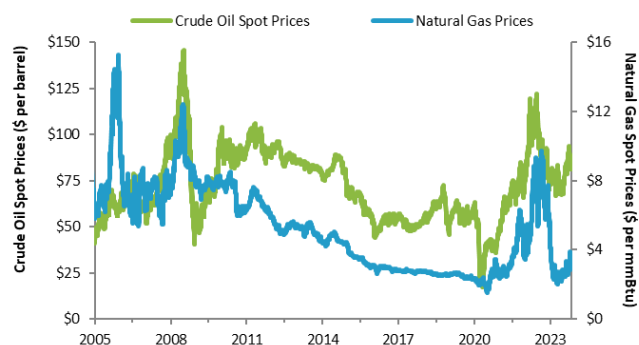
## OIL & GAS

Macroeconomic and geopolitical factors have continued to influence prices in the oil & gas end market. The environment is favorable for oil & gas capex in view of previous underinvestment, supportive oil pricing, elevated backlogs, and energy security themes. The latest quarterly survey conducted by Baird Research highlighted largely stable trends in the oil & gas end market for responding FMPT manufacturers.

Near-term pricing considerations for the oil & gas market:

- Oil prices have been volatile due to geopolitical tensions and concerns about demand. For most of the past 12 months, spot prices have been in the range of \$70-90 per barrel.
- While below the elevated figures of 2022, natural gas prices recently reached the highest levels of 2023 during October. Further near-term price fluctuations could reflect themes such as energy security and near-shoring.
- Supply factors boosting crude oil and natural gas prices include Russia's war with Ukraine and production cuts announced by OPEC during 2023.

### Crude Oil and Natural Gas Prices



Source: Capital IQ. Prices as of October 31, 2023.

According to IEA analysis of the announced spending plans of large and medium-sized oil & gas companies, investment in upstream oil and gas is expected to increase 7% to \$500+ billion in 2023, in line with the levels of 2019. However, due to long-term demand uncertainties and investor pressures to focus on returns rather than production growth, large Middle Eastern nationals are the only group of companies planning to spend more than pre-pandemic levels in 2023.

Natural gas is a long-term driver of U.S. energy production. The EIA forecasts 44% growth for natural gas production through 2050 after 25% growth in 2010-2020. Increased production is expected in shale formations through horizontal drilling and fracking projects, which typically involve substantial product needs and long durations.

In the downstream market, the near-term outlook has improved since the initial negative impact of COVID on demand and supply. In this market, capital spending is associated with compliance, de-bottlenecking, short-cycle maintenance, repair work related to facility turnarounds, refinery expansion, and new plants. Following historically low refinery utilization of 73% in Q2 2020, utilization recovered in 2021, averaging 86%, with further strengthening to 92% in 2022 before dipping to 90% in YTD 2023.

Over the longer term, trends supporting downstream capex in North America (for both oil and gas) include onshore upstream activity, widespread utilization of natural gas as a low-cost feedstock, and spending on expanding liquified natural gas (LNG) export infrastructure. Globally, downstream capex drivers include new builds in developing countries as oil is more commonly processed nearer to its source, an aging refinery base in developed countries, and exacting specifications for oil inputs that are increasingly complex to refine.

Capex growth has rebounded in the midstream portion of the value chain since contraction in 2020. Midstream spending involves the development of large pipeline projects that require substantial capex, including spending on equipment such as large pumps that propel oil and gas toward destinations. Westwood Global Energy Group projected global pipeline capex spending to be relatively steady in 2023-2028 after a moderate recovery in 2021-2022. Although end market demand is expected to be strong, forecasts for minimal long-term growth reflect risk related to greater global focus on the impact of fossil fuels on climate change.

The midstream part of the value chain requires major shipping terminals and routes, particularly for LNG, which is gas that has been cleaned, compressed, and cooled into much lower volumes of liquid to be transported via tanker across bodies of water to an LNG terminal, where it is converted back to its gaseous state for pipeline distribution. Efforts to raise LNG supply will result in substantial growth in LNG facilities with highly engineered flow systems that incorporate advanced FMPT products.

Additional key issues in the oil & gas market:

- Global energy consumption is expected to grow 34% by 2050. Meeting increased energy demand via electric power generation is a major end market for oil and (to a larger extent) gas.
- Energy transition initiatives are reducing the impact of oil and gas prices on investment levels; the EIA projects fossil fuels to shift from accounting for half of global electricity generation in 2025 to one-third of the total in 2050.
- During the previous period of lower oil prices, North American producers significantly reduced break-even levels through better technologies and processes, resulting in enhanced profitability and greater spending capacity.
- Among emerging markets, the IEA projects large growth in imports for oil and gas into China, India, and South Korea over the next two-plus decades.

# Flow, Motion and Power Technologies – Key End Markets

## CHEMICALS / PETROCHEMICALS

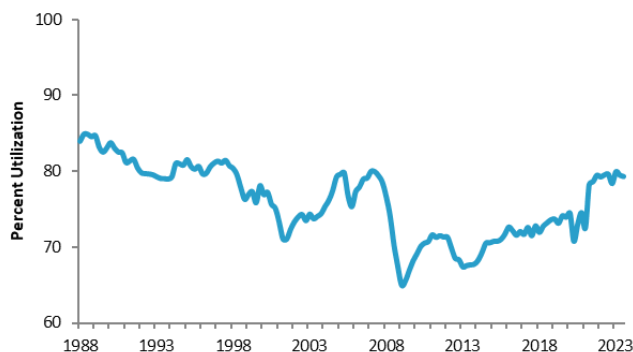
Activity in the global chemicals market has decelerated amid moderation in the general industrial market. On a global basis, capex in the chemicals sector appears to have stalled relative to the growth seen in 2021-2022 following a period of project push-outs and maintenance deferrals in the early stages of COVID. Over the long term, the chemicals end market should benefit from strong demand for specialty chemicals, which frequently are in short supply.

Over the past decade-plus, the chemicals industry has proven sensitive to industrial cycles. Sluggish industrial activity during most of 2023, as evident in industrial production and PMI readings, suggests a relatively challenging near-term backdrop.

The U.S. chemicals market has experienced relatively stable utilization rates over the past two-plus years.

- In Q2 2020, U.S. chemical capacity utilization dropped to 71%, the lowest level since 2015 and solidly below the 2019 average of 74%.
- Utilization averaged 73% in the subsequent three quarters through Q1 2021 before rising to 78-79% in Q2-Q4 2021.
- Utilization ticked higher during 2022 to a range of 78-80%, including 80% in Q2 and Q3.
- During YTD 2023, utilization remained in the 79-80% range, including 79% in Q3.

## U.S. Chemical Capacity Utilization



Source: U.S. Federal Reserve.

Challenging conditions in the chemicals end market were evident in several indicators compiled by the American Chemistry Council:

- In September, chemicals production decreased 1.6% year over year, with declines in most segments.
- In YTD 2023 through October 14, chemical railcar loadings were down 2.3% versus YTD 2022 in the U.S.
- Chemical producer prices declined 6.4% year over year in Q3.

## WATER / WASTEWATER

The water / wastewater end market, which features a wide range of global long-term growth drivers, is experiencing an improved backdrop after seeing COVID-related weakness in 2020 and parts of 2021. Signs pointing to strong trends include recent quarterly Baird Research surveys despite the labor constraints noted by respondents. In addition, companies serving the water end market – including municipal, industrial, commercial, and residential applications – should benefit more from secular drivers such as environmental sustainability, energy efficiency, and digitalization.

Government budgets and tax receipts heavily influence water market spending. Since dipping in Q2 2020, U.S. state and municipal tax revenues have rebounded. In the first half of 2023, tax receipts were below the peak levels of 2022 but exceeded the average run rate of the past five years by 12%. Although a large portion of municipal spending covers repairs and maintenance rather than larger projects, significant receipts growth should eventually drive municipal capex.

## U.S. State and Local Tax Receipts



Source: U.S. Census Bureau. Data shown through Q2 2023.

Even in mature geographic areas such as the U.S., water treatment is a growth market, with large increases in the number of desalination plants. In 2018-2022, water-related construction spending in the U.S. experienced significant growth (averaging 12%, including 16% in 2023), underscoring the level of pent-up demand in a normalized environment. Passage of the Infrastructure Investment and Jobs Act in the U.S. is resulting in incremental spending, with \$50 billion allocated toward improving drinking water and wastewater systems.

Over the long term, the global water / wastewater market should grow at a rate in the low to mid-single-digits for a prolonged period, driven by increased global focus on environmental sustainability as well as population expansion, rising living standards, urbanization, industrialization (mainly in emerging markets), and needed repairs on existing water systems. The water market has been projected (by market leader Xylem) to increase 2-4% annually, including 4-7% in emerging markets. The market's potential is enhanced by widespread shortages and pollution.



A photograph of an industrial facility, likely a refinery or chemical plant, featuring large vertical towers and a complex network of pipes. The image is split into two color-coded sections: an orange-tinted left half and a blue-tinted right half. The orange section shows a close-up of a large vertical pipe with a walkway at the top. The blue section shows a similar pipe from a different angle, also with a walkway, set against a sky with white clouds.

**BAIRD'S PERSPECTIVE ON THE FLOW, MOTION  
AND POWER TECHNOLOGIES SECTOR**

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# Flow, Motion and Power Technologies M&A Analysis



# Flow, Motion and Power Technologies M&A Analysis

## FLOW, MOTION AND POWER TECHNOLOGIES M&A BACKDROP

M&A activity in the sector has remained healthy this year despite lagging the rapid pace seen in 2021-2022. To date in 2023, M&A activity is tracking toward the third-highest full-year transaction total in our data set (dating back to 2005), trailing only the last two years.

Following a strong 10-year run in sector M&A activity, sector participants slowed M&A efforts starting in March 2020, despite historically strong balance sheets and liquidity positions, due to the potential impact of COVID on prospective buyers and targets. Relatively few M&A transactions were announced during Q2-Q3 2020, as many engagements were either put on hold or delayed given elevated uncertainty for company forecasts. The challenging environment resulted in heightened focus on internal operations and capital allocation, translating to weak M&A sentiment and few launches of sale processes until the second half of 2020.

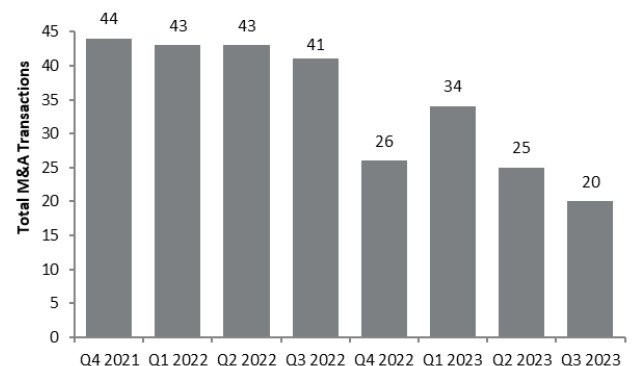
During 2021 and most of 2022, buyers in the sector aggressively pursued targets amid largely favorable economic conditions. Strong activity from Q4 2020 through Q3 2022 reflected greater willingness to execute on planned transactions due to improved visibility as the COVID situation stabilized. Also, high levels of divestiture activity resumed as companies refocused on portfolio management in a more normalized environment.

In recent quarters, M&A activity in the sector subsided from peak levels while remaining robust compared to long-term averages. Deceleration in transaction activity has been consistent with a broader downturn in global M&A markets, reflecting the impact of disparate views on valuation among buyers and sellers amid much higher financing costs and increased economic concerns.

FMPT companies that have been active participants in the M&A market are typically seeking targets with the following characteristics:

- Business models that emphasize design, engineering, and system capabilities.
- Targets that enhance an acquiror's ability to benefit from secular themes related to environmental sustainability, energy efficiency, and digitalization.
- Enhanced automation technology, connectivity, and data-enabled solutions (e.g., condition monitoring, predictive analytics).
- Cycle-resistant end markets (e.g., pharmaceutical, healthcare, food & beverage).
- Short-cycle, recurring revenue businesses.
- Solutions complementary to existing process industries, but with an emphasis on non-energy markets.
- Aftermarket and MRO models that generate recurring demand from a large installed base of systems.
- Complementary businesses that support enhanced localized production capabilities.

## M&A Deal Count by Quarter



Source: Dealogic and Capital IQ.

Over the longer term, the following drivers of M&A activity in the sector remain in place:

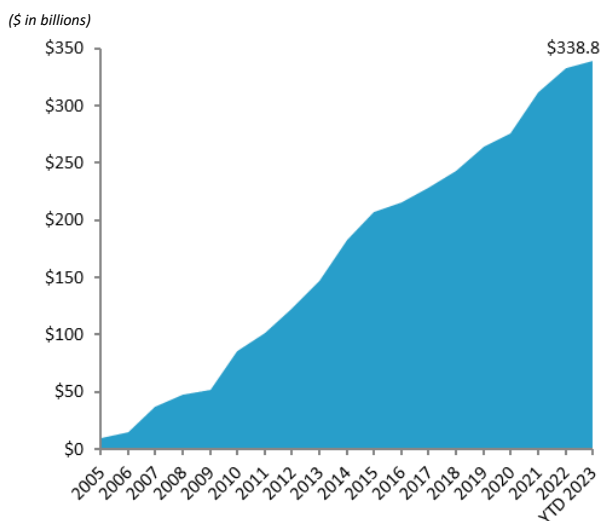
- **Fragmentation.** The sector remains highly fragmented, with consolidation opportunities and low revenue concentration in a number of large categories.
- **Entry into New Geographies.** Acquired facilities enable companies to serve customers more efficiently. For segments in which meeting local specifications and codes is mandatory, M&A may be the most practical way to enter new markets.
- **Scale Economies.** Scale advantages stemming from higher sales volume and increased relative power in the channel include manufacturing capabilities, greater purchasing power, ability to invest in R&D and technology, management resources, recruiting and retention of talent, and access to growth capital.
- **Product Portfolio Expansion.** Acquisitions enable companies to become more relevant to end users by offering a comprehensive set of products.
- **Acquiring Technology Content.** FMPT companies often undertake M&A to secure engineering know-how that can be leveraged to address technology, energy efficiency, environmental, regulatory, and safety trends.
- **Cross-Selling Potential.** Acquisitions that bring new customers and products allow companies to leverage the existing customer base and product portfolio through cross-selling, resulting in incremental revenue opportunities for the buyer and the target as well as a faster path toward economies of scale in operations. Successful cross-selling can add exposure to new end markets and distribution channels.
- **Access to New Capabilities.** For example, boosting the services portion of the business allows companies to strengthen their position as a solutions provider to customers.
- **Corporate Divestitures.** High levels of divestiture activity have resumed, as active portfolio management is leading additional companies to divest non-core businesses.

# Flow, Motion and Power Technologies M&A Analysis

## REVIEW OF HISTORICAL M&A ACTIVITY

From the start of 2005 through October 2023, we have identified 1,500+ announced majority-stake acquisitions in the Flow, Motion and Power Technologies sector. Slightly more than half of the transactions on our list have an undisclosed value. For the 700+ deals with a disclosed value, the aggregate dollar volume exceeded \$330 billion. The chart below depicts the cumulative M&A deal value for 2005 through October 2023.

### Cumulative M&A Deal Value

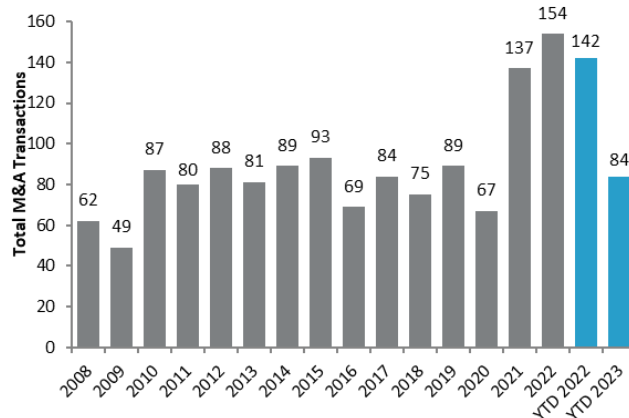


Source: Dealogic and Capital IQ. YTD as of October 31. Includes values for deals with a disclosed value.

The industry's M&A trends have typically moved in the same direction as overall activity in the M&A market.

- Activity slowed in 2009, when the sector's deal count fell 21%, versus a 15% decline in the global count across sectors.
- The number of transactions rebounded strongly in 2010 amid a broader M&A market recovery.
- M&A activity remained healthy in 2011-2014, when sector deal counts were similar to the 2010 level.
- Deal activity accelerated in 2015 (a strong year in the M&A market), which also represented an above-average year for M&A dollar value.
- The transaction count fell to a seven-year low in 2016, possibly due to reduced confidence for industry participants during the second straight year of lackluster results.
- The deal count rebounded in 2017-2019, fueled by resurgent growth for sales and earnings.
- The number of deals in 2020 posted an 11-year low in the sector due to a major slowdown caused by COVID in Q2-Q3.
- In 2021, the deal total was the highest for a single year in our data set (until 2022), with activity rising more than the overall increase in the global M&A market.
- The sector's deal activity again outpaced the M&A market in 2022, when the count was the highest in our data set.

## Annual M&A Deal Count

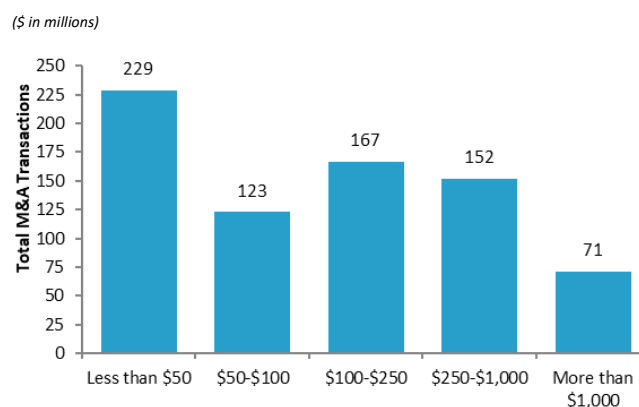


Source: Dealogic and Capital IQ. YTD as of October 31.

Through the first 10 months of 2023, the number of deals tracked below 2021-2022 levels during a broader slowdown in M&A market activity. However, the pace of transactions compared favorably to activity in years prior to 2021. This year's deals have generally been smaller than average, as the mean value for YTD 2023 deals with disclosed value is headed toward the lowest single-year level in our 19-year data set. It is important to note that analysis of dollar volume is more challenging due to the high proportion (roughly half) of deals with an undisclosed value.

For the 700+ deals with a disclosed value since the start of 2005, the median deal size was \$107 million. As shown in the chart below, the sector registered 390 deals with disclosed values of \$100 million or more during this period. FMPT firms have been involved in 71 billion-dollar-plus transactions (with disclosed value) since 2005.

## Number of M&A Transactions by Deal Size



Source: Dealogic and Capital IQ. Includes transactions with a disclosed value.

# Flow, Motion and Power Technologies M&A Analysis

Cross-border acquisitions make up a large portion of our data set. Goals for cross-border transactions include accessing strategic assets, gaining market power, strengthening customer relationships, entering geographic markets, enhancing scale, diversifying risks, and tapping into attractive opportunities.

Key strategic cross-border transactions in recent years include:

- Acquisition of ARAG Group (Italy) by Nordson Corporation for \$1.0+ billion.
- Brazil-based WEG S.A.'s acquisition of the industrial motors and generators businesses of Regal Rexnord Corporation (U.S.) for \$400 million.
- Acquisition of Howden Group (Scotland) by Chart Industries, Inc. (U.S.) for \$4.4 billion.
- Atlas Copco AB's (Sweden) acquisition of Lewa GmbH (Germany) for \$733 million.
- Acquisition of Israel-based Elmo Motion Control Ltd. by Germany-based Robert Bosch GmbH for \$700 million.
- Howden Group's (Scotland) acquisition of Compressor Products International (U.S.) for \$195 million.
- Acquisition of Duplomatic Oleodinamica SpA (Italy) by Japan-based Daikin Industries for \$231 million.
- U.S.-based Dover Corporation's acquisition of Denmark-based Mita-Teknik A/S for \$631 million.
- Acquisition of the U.S.-based Mechanical Power Transmission division of ABB Ltd (Switzerland) by RBC Bearing Limited (U.S.) for \$2.9 billion.

Within our data set, the majority of deals included in our analysis involve a firm based outside of the U.S.:

- 41% of deals included U.S.-based buyers / targets.
- Cross-border deals involving a U.S. firm and a company based outside the U.S. represented 29%.
- 30% involved two non-U.S. companies.

Europe has been a strong contributor to the sector's M&A, with 25% of deals consisting of a European company and a firm based outside Europe, and another 17% between two European companies.

## Cross-Border Target Countries

United States	161	Germany	88
United Kingdom	74	Italy	66
Canada	44	Netherlands	25
China	19	France	18
Brazil	17	India	16
Sweden	16	Australia	15
Switzerland	15	Spain	9
South Korea	8	Finland	8
Denmark	8	Mexico	7

Source: Dealogic and Capital IQ.

## Cross-Border Acquiror Countries

United States	298	United Kingdom	81
Sweden	53	Japan	46
Germany	40	Switzerland	22
Italy	20	China	14
Denmark	14	Canada	14
France	11	Netherlands	11
Brazil	10	India	6

Source: Dealogic and Capital IQ.

Historically, interest in M&A in the sector has been strong among corporate and private equity buyers. As in the global M&A market, strategic buyers represent the large majority of acquirors in our data set. For the 390 deals since 2005 with a reported value of \$100 million or higher, 76% involved strategic acquirors, and financial sponsors accounted for 24%.

Private equity firms have been active in the sector. Financial sponsors were the buyers in 57 deals with disclosed value of \$100+ million since the start of 2013, with the actual number of \$100+ million acquisitions made by sponsors much higher given the significant proportion of deals with an undisclosed value. Many sponsors have targeted a platform for consolidation in a highly fragmented sector. Other private equity firms have domain expertise and favorable investment experiences in the sector. Given the large number of sponsor-owned companies in the sector, private equity firms often stimulate activity by seeking an exit for a portfolio company or an add-on to combine with an existing holding.

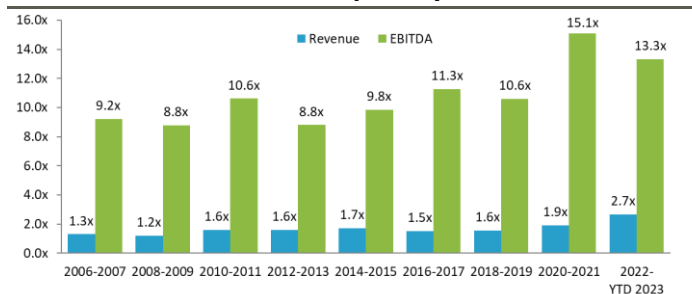
As with strategic buyers, financial sponsors are attracted to many of the characteristics of the FMPT market, such as fragmentation, economies of scale, and strong growth opportunities during cyclical upturns. Additional factors relevant to the recent level of activity in the private equity environment include:

- **Stabilizing Credit Conditions.** The financing environment has been challenging for borrowers over the past year due to higher interest rates, lower leverage, and economic concerns. Nevertheless, pricing has firmed over the past couple of quarters, with spreads improving from earlier in 2023. Direct lenders remain active, while syndicated markets showed strength for much of Q3. Peak levels of capital availability in private credit bode well for financings in 2024, when Fed rates should begin to decline, even in a "higher for longer" scenario.
- **Substantial Unallocated Capital.** Significant committed capital (\$1.8+ trillion on a global basis) remains available for private equity firms, suggesting another busy period ahead, particularly with 2023 proving to be a slower year for acquisitions by financial sponsors.

# Flow, Motion and Power Technologies M&A Analysis

We determined the approximate financial terms of a subset of the deal list. Valuation metrics include enterprise value as a multiple of revenue and EBITDA during the last 12 months (LTM). For transactions in the category from 2005 through October 2023, the median EV/revenue ratio (for the 433 deals with this data available) was 1.55x. The median EV/EBITDA ratio (for a total of 286 transactions) was 9.8x from the start of 2005 through October 2023. Annual medians for this ratio are less meaningful due to the low number of data points in many years. We believe many of the sector's strengths factor into healthy valuations for M&A transactions, including status as growth cyclicals, scale advantages, and operating leverage. Within the sector, characteristics that can affect valuation include growth profiles, scale, historical results, global reach, and competitive positioning.

## Median Transaction Multiples by Year

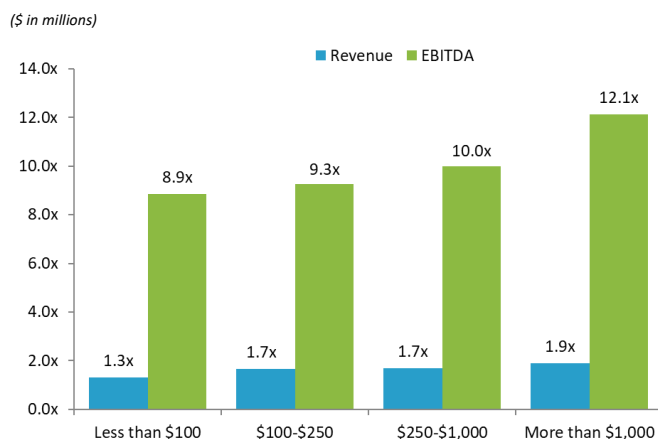


# of Data Points	Revenue	EBITDA
2006-2007	51	36
2008-2009	31	20
2010-2011	60	44
2012-2013	52	43
2014-2015	59	31
2016-2017	56	36
2018-2019	51	31
2020-2021	31	19
2022-YTD 2023	18	14

Source: Dealogic and Capital IQ. YTD as of October 31.

We applied the available valuation metrics to various deal size groups to determine if a relationship exists between valuation and deal size in the sector. As indicated in the following chart, median multiples of enterprise value on LTM revenue and EBITDA showed a generally rising pattern for progressively larger deal size groups in the sector. These trends are consistent with those experienced in the broader M&A market, where larger targets typically command premiums to smaller firms.

## Median Transaction Multiples by Deal Size



# of Data Points	Revenue	EBITDA
Less than \$100	139	58
\$100-\$250	114	80
\$250-\$1,000	115	92
More than \$1,000	58	52

Source: Dealogic and Capital IQ.

In the near term, corporate acquirors may increase allocations of cash toward acquisitions after a period with a more conservative approach. Analysis of the cash flow statements of the companies in the Baird Research Flow, Motion and Power Technologies Group (listed on page 19) revealed that on an LTM basis, median cash outlays for acquisitions, as a percentage of operating cash flow, were near the lower end of the range seen since 2011. We expect M&A activity in the sector to remain robust over the long term, particularly among top strategic buyers. After a year with minimal spending on acquisitions for many leading companies, management teams may become more aggressive on the M&A front, depending on their expectations for the industrial economy.

Over the long term, the merits of acquisitions in the sector should drive a healthy pace of M&A activity in the industry, where consolidation opportunities remain prevalent. Various types of strategic acquirors with strong balance sheets will seek to grow businesses by adding product lines and technologies, expanding distribution, and penetrating new and existing customer bases. Financial sponsors will look for opportunities to combine an acquired business with an existing portfolio company or to enter an attractive sector through a platform investment. As with the broader M&A market, we believe a sustained economic recovery would provide additional support to deal flow. Page 22 lists selected M&A transactions in the FMPT market, including available data on these deals.





BAIRD'S PERSPECTIVE ON THE FLOW, MOTION  
AND POWER TECHNOLOGIES SECTOR

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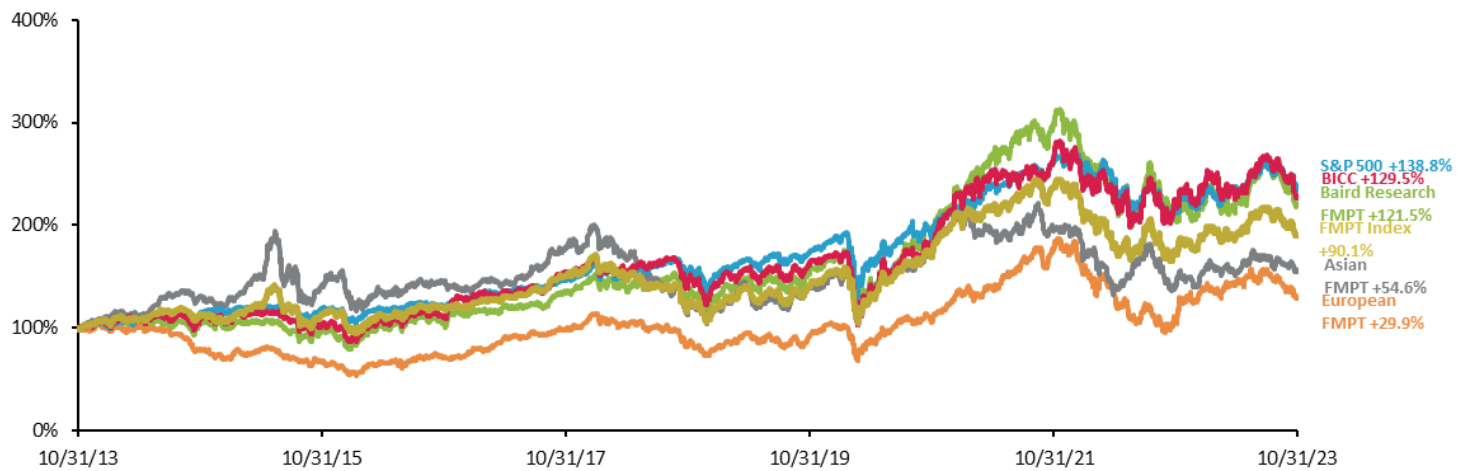
# Sector Metrics

## Sector Metrics

The following pages illustrate the stock performance, operating statistics, and valuation metrics of a selected set of publicly traded companies in the FMPT sector. These companies are grouped as the Baird Research Flow, Motion and Power Technologies Group (aligned with Baird's Equity Research coverage, which mostly consists of U.S.-based companies), the European Flow, Motion and Power Technologies Group (for companies based in Europe), and the Asian Flow, Motion and Power Technologies Group (including companies based in Asia).

The chart below depicts the stock performance for each group over the past 10 years and reflects stock prices at the end of October 2023. As indicated below, the Baird Research Flow, Motion and Power Technologies Group produced substantial returns in more than doubling over this period.

### 10-Year Stock Performance



Source: Capital IQ. Companies in the Flow, Motion Power Technologies (FMPT) index are represented by the logos shown below.

Companies in the Baird Research FMPT index are listed on page 19. Companies in the European FMPT index are listed on page 20.

Companies in the Asian FMPT index are listed on page 21.

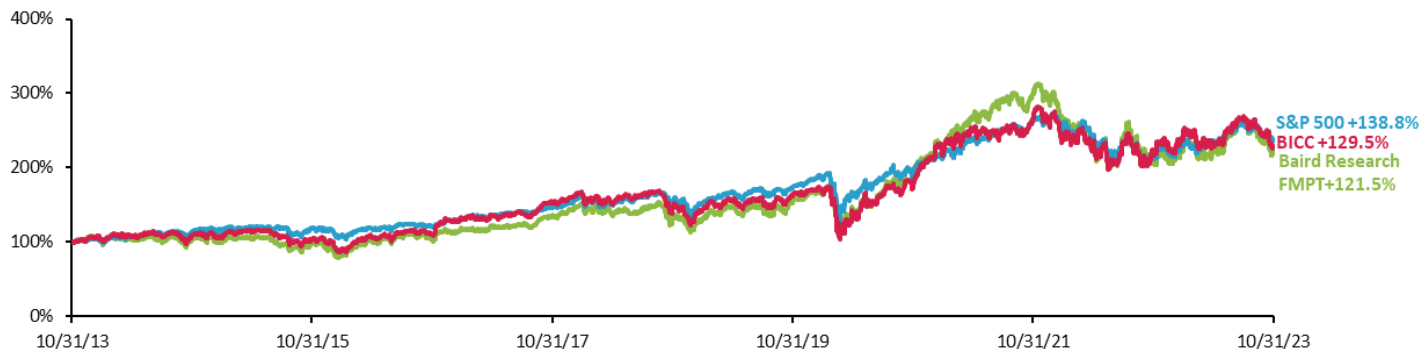
The Baird Industrial Company Composite (BICC) represents 489 companies that Baird views as indicative of the publicly traded Industrial company universe.





# Baird Research Flow, Motion and Power Technologies Group

## 10-Year Stock Performance



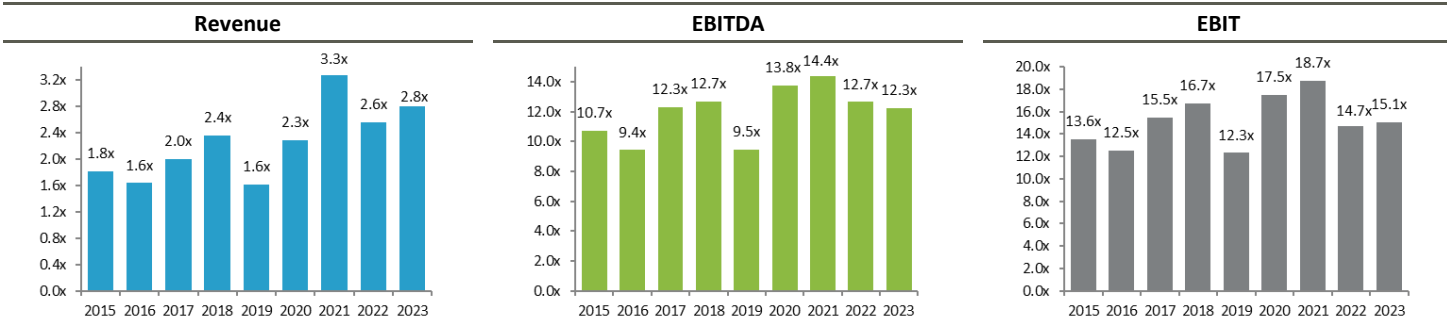
Source: Capital IQ.

## Valuation and Operating Statistics

(\$ in millions)		Enterprise Value	LTM Revenue	LTM Margins		Revenue Growth		EBITDA Growth		Enterprise Value / NTM			PE Ratio		Net Debt/
Company	Ticker			EBITDA	EBIT	2023E	2024E	2023E	2024E	Revenue	EBITDA	EBIT	2023E	2024E	LTM EBITDA
Advanced Drainage Systems, Inc.	WMS	\$9,379	\$2,831	28.9%	24.2%	(10.5%)	4.9%	2.2%	5.7%	3.3 x	11.2 x	13.3 x	18.8 x	18.7 x	1.0 x
A. O. Smith Corporation	AOS	\$10,198	\$3,801	21.3%	19.2%	2.1%	3.0%	18.1%	2.6%	2.6	12.3	13.4	19.0	18.0	N/M
Dover Corporation	DOV	\$21,047	\$8,472	20.4%	16.7%	(0.1%)	4.2%	5.4%	6.3%	2.4	11.0	13.8	15.3	14.2	1.6
Emerson Electric Co.	EMR	\$55,525	\$20,792	24.9%	19.4%	(19.7%)	12.6%	(12.6%)	13.4%	3.3	12.6	17.0	19.1	16.9	N/M
Flowserve Corporation	FLS	\$5,875	\$4,194	11.7%	9.7%	18.8%	5.1%	58.9%	15.9%	1.3	10.6	12.4	18.7	15.0	1.8
Franklin Electric Co., Inc.	FELE	\$4,111	\$2,082	15.5%	12.9%	2.0%	2.4%	2.2%	3.2%	1.9	12.6	15.1	21.1	20.0	0.3
Gates Industrial Corporation plc	GTES	\$5,302	\$3,588	17.7%	11.7%	1.2%	2.9%	17.9%	6.6%	1.5	7.4	11.3	9.6	8.4	3.1
Generac Holdings Inc.	GNRC	\$6,788	\$4,008	12.7%	8.6%	(11.5%)	8.2%	(13.1%)	26.5%	1.6	9.1	12.2	19.8	14.6	2.8
Graco Inc.	GGG	\$12,081	\$2,184	31.9%	28.6%	2.3%	2.8%	12.7%	4.8%	5.4	16.4	18.2	25.4	24.4	N/M
Hayward Holdings, Inc.	HAYW	\$3,166	\$973	21.9%	16.1%	(24.8%)	10.8%	(29.3%)	19.4%	3.0	11.3	13.8	20.9	16.2	4.1
IDEX Corporation	IEX	\$15,328	\$3,296	28.0%	23.5%	2.1%	2.6%	(2.4%)	5.3%	4.7	17.0	20.1	23.9	23.0	0.9
Ingersoll Rand Inc.	IR	\$26,205	\$6,678	24.1%	17.5%	14.1%	5.6%	30.5%	8.5%	3.8	14.5	19.8	23.0	20.9	1.0
ITT Inc.	ITT	\$7,707	\$3,229	20.4%	17.0%	9.2%	5.3%	16.7%	9.6%	2.3	10.8	13.2	19.7	17.5	N/M
Mueller Water Products, Inc.	MWA	\$2,268	\$1,306	14.0%	9.5%	(7.4%)	2.0%	(4.0%)	22.2%	1.9	11.7	18.2	25.8	20.3	1.8
Nordson Corporation	NDSN	\$12,939	\$2,593	30.1%	26.0%	2.6%	6.9%	9.8%	8.4%	4.6	14.7	17.0	24.6	22.9	1.0
Pentair plc	PNR	\$11,562	\$4,123	22.4%	19.5%	(0.6%)	3.8%	10.7%	9.2%	2.8	11.7	12.8	16.5	14.6	2.0
Regal Rexnord Corporation	RRX	\$14,085	\$5,887	17.0%	9.7%	23.8%	7.9%	34.9%	16.1%	2.0	8.9	14.5	11.1	9.4	5.9
Veralto Corporation	VLTO	\$19,310	\$4,981	25.0%	23.3%	2.5%	2.8%	(0.5%)	2.9%	3.8	15.7	16.3	22.8	21.7	1.8
Watts Water Technologies, Inc.	WTS	\$5,570	\$2,011	19.2%	17.2%	1.9%	4.9%	8.1%	4.7%	2.7	13.8	15.9	23.5	23.1	N/M
Xylem Inc.	XYL	\$24,227	\$6,752	16.6%	11.3%	32.0%	14.6%	55.7%	18.1%	2.9	15.3	21.0	26.0	23.9	1.4
Zurn Elkay Water Solutions Corp.	ZWS	\$5,004	\$1,514	20.8%	14.8%	19.7%	2.1%	58.7%	10.1%	3.2	13.7	17.9	30.2	26.3	1.3
				Mean		2.8%	5.5%	13.4%	10.4%	2.9 x	12.5 x	15.6 x	20.7 x	18.6 x	2.0 x
				Median		20.8%	17.0%		8.5%	2.8	12.3	15.1	20.9	18.7	1.7

Source: Capital IQ. Figures as of October 31, 2023. Figures are as reported and have not been adjusted for recent acquisitions or divestitures.

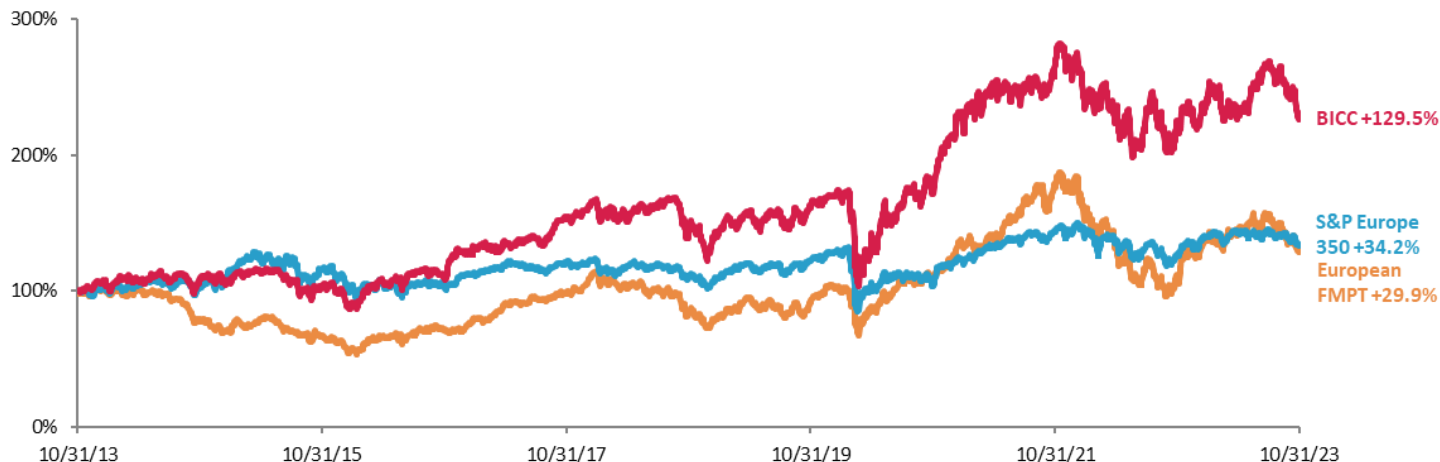
## Median Forward Trading Multiples



Source: Capital IQ. Median multiples are based on enterprise values and estimated income statement figures as of the beginning of the period indicated.

# European Flow, Motion and Power Technologies Group

## 10-Year Stock Performance



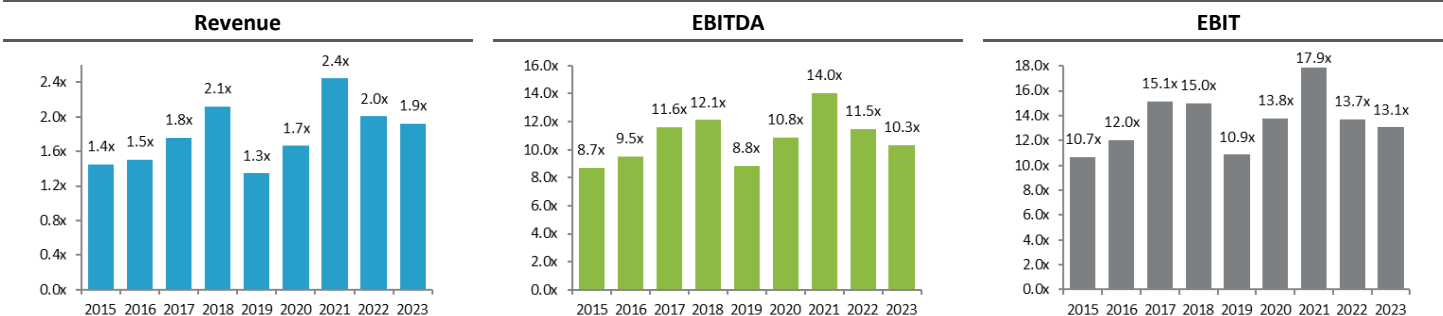
Source: Capital IQ.

## Valuation and Operating Statistics

(\$ in millions)		Enterprise Value	LTM Revenue	LTM Margins		Revenue Growth		EBITDA Growth		Enterprise Value / NTM			PE Ratio		Net Debt / LTM EBITDA
Company	Ticker			EBITDA	EBIT	2023E	2024E	2023E	2024E	Revenue	EBITDA	EBIT	2023E	2024E	
ABB Ltd	SWX:ABBN	\$66,580	\$31,814	16.6%	14.3%	9.3%	2.5%	29.7%	2.3%	2.0 x	11.0 x	13.0 x	17.8 x	17.9 x	0.7 x
Burckhardt Compression Holding AG	SWX:BCHN	\$1,735	\$986	15.3%	11.7%	22.9%	24.0%	(10.4%)	22.5%	1.6	11.5	13.8	19.6	17.1	0.0
HMS Hydraulic Machines & Systems	LSE:HMSG	\$286	\$762	10.0%	6.5%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.4
IMI plc	LSE:IMI	\$5,526	\$2,746	20.4%	16.8%	7.2%	4.3%	26.8%	6.2%	2.0	8.7	10.8	13.1	12.0	1.6
KSB SE & Co. KGaA	XTRA:KSB	\$1,106	\$3,074	9.6%	7.3%	9.5%	4.9%	36.5%	8.3%	0.4	3.2	4.6	10.4	9.2	N/M
Pfeiffer Vacuum Technology AG	XTRA:PFV	\$1,559	\$1,043	14.5%	11.8%	(1.7%)	3.0%	0.1%	9.1%	1.6	9.7	13.2	20.1	17.6	0.2
Rotork plc	LSE:ROR	\$2,935	\$885	22.1%	20.1%	12.6%	6.3%	23.8%	9.6%	3.3	12.9	14.0	20.7	18.9	N/M
Spirax-Sarco Engineering plc	LSE:SPX	\$8,328	\$2,175	24.1%	19.9%	8.5%	5.4%	7.5%	9.5%	3.9	15.0	18.0	25.1	22.4	2.0
Sulzer Ltd	SWX:SUN	\$3,126	\$3,648	11.4%	9.0%	8.2%	4.8%	76.2%	5.6%	0.8	6.3	8.7	12.0	11.4	0.8
VAT Group AG	SWX:VACN	\$10,787	\$1,174	31.7%	28.3%	(21.4%)	14.0%	(30.5%)	22.8%	N/A	32.5	38.3	57.0	45.6	0.6
The Weir Group PLC	LSE:WEIR	\$6,402	\$3,401	15.7%	13.0%	9.5%	4.3%	43.2%	6.9%	1.9	9.4	11.1	15.1	13.9	1.9
			Mean	17.4%	14.4%	6.5%	7.3%	20.3%	10.3%	1.9 x	12.0 x	14.5 x	21.1 x	18.6 x	1.1 x
			Median	15.7%	13.0%	8.9%	4.8%	25.3%	8.7%	1.9	10.3	13.1	18.7	17.3	0.8

Source: Capital IQ. Figures as of October 31, 2023. Figures are as reported and have not been adjusted for recent acquisitions or divestitures.

## Median Forward Trading Multiples



Source: Capital IQ. Median multiples are based on enterprise values and estimated income statement figures as of the beginning of the period indicated.



# Asian Flow, Motion and Power Technologies Group

## 10-Year Stock Performance



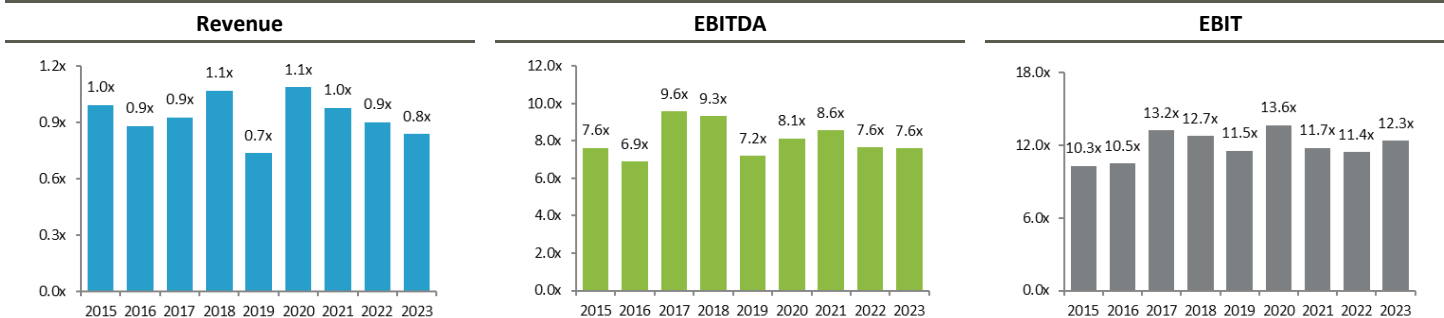
Source: Capital IQ.

## Valuation and Operating Statistics

Company	Ticker	Enterprise Value		LTM Margins		Revenue Growth		EBITDA Growth		Enterprise Value / NTM			PE Ratio		Net Debt/ LTM EBITDA	
		Value	Revenue	EBITDA	EBIT	2023E	2024E	2023E	2024E	Revenue	EBITDA	EBIT	2023E	2024E		
Eagle Industry Co., Ltd.	TSE:6486	\$588	\$1,112	12.0%	5.5%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.2 x	
Ebara Corporation	TSE:6361	\$3,940	\$5,065	14.4%	10.9%	(4.3%)	4.0%	(11.0%)	8.1%	0.8 x	5.8 x	8.7 x	12.2 x	11.4 x	N/M	
Harmonic Drive Systems Inc.	TSE:6324	\$2,061	\$490	26.7%	12.7%	(23.4%)	6.4%	(34.3%)	26.0%	5.2	21.4	N/A	84.6	51.8	0.2	
Hitachi, Ltd.	TSE:6501	\$68,247	\$69,793	11.9%	7.2%	(23.2%)	(15.0%)	2.5%	4.8%	1.3	8.3	14.0	12.9	15.5	0.9	
Jiangxi Special Electric Motor Co., Ltd	SZSE:002176	\$2,743	\$598	16.0%	11.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/M	
Johnson Electric Holdings Limited	SEHK:179	\$1,331	\$3,646	11.7%	4.9%	9.3%	7.0%	34.5%	8.4%	0.3	2.6	5.4	6.5	5.6	0.3	
Kirloskar Brothers Limited	BSE:500241	\$841	\$469	12.4%	10.9%	N/A	N/A	N/A	N/A	1.6	N/A	N/A	N/A	20.7	N/M	
KITZ Corporation	TSE:6498	\$671	\$1,136	11.6%	7.3%	(7.5%)	4.4%	(0.8%)	4.9%	0.6	4.8	7.1	9.0	8.4	0.5	
KNM Group Berhad	KLSE:KNM	\$281	\$229	8.3%	4.1%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/M	
Kubota Corporation	TSE:6326	\$28,213	\$20,323	12.7%	9.4%	(4.7%)	0.8%	12.2%	2.3%	1.4	10.2	13.8	12.2	12.4	4.5	
Leo Group Co., Ltd.	SZSE:002131	\$1,845	\$2,842	1.9%	1.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/M	
Mitsubishi Heavy Industries, Ltd.	TSE:7011	\$24,266	\$29,847	8.6%	5.2%	(7.5%)	3.9%	33.1%	14.8%	0.8	7.9	11.4	12.6	11.9	2.7	
Nabtesco Corporation	TSE:6268	\$1,870	\$2,232	10.3%	5.8%	(7.5%)	4.8%	(6.9%)	16.3%	0.8	7.3	12.3	18.8	18.7	N/M	
Neway Valve (Suzhou) Co., Ltd.	SHSE:603699	\$1,505	\$728	19.1%	16.2%	23.5%	23.6%	40.7%	23.9%	2.1	12.1	15.5	17.5	13.6	N/M	
Nidec Corporation	TSE:6594	\$23,887	\$15,216	10.6%	5.3%	6.4%	(9.2%)	(7.3%)	18.7%	1.5	9.8	15.0	37.7	16.9	2.0	
Nikkiso Co., Ltd.	TSE:6376	\$704	\$1,223	4.3%	(1.3%)	(6.6%)	2.4%	74.3%	6.2%	0.6	7.1	17.2	12.5	17.0	5.4	
NOK Corporation	TSE:7240	\$2,117	\$4,931	8.7%	2.2%	(13.7%)	7.1%	(17.7%)	21.6%	0.4	4.7	11.7	18.1	12.2	N/M	
NSK Ltd.	TSE:6471	\$3,667	\$5,764	10.1%	3.5%	(23.2%)	(2.1%)	(4.7%)	10.4%	0.7	5.6	13.3	23.1	14.6	1.7	
Shanghai Highly (Group) Co., Ltd.	SHSE:600619	\$1,198	\$2,331	2.9%	(0.9%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.7	
TECO Electric & Machinery Co., Ltd.	TWSE:1504	\$2,958	\$1,920	12.4%	10.2%	0.6%	12.5%	53.8%	12.7%	1.4	10.7	11.1	14.9	13.2	N/M	
THK Co., Ltd.	TSE:6481	\$1,858	\$2,715	16.4%	10.9%	(22.9%)	5.0%	(44.6%)	18.2%	0.8	6.0	10.8	20.3	15.7	N/M	
Tsubakimoto Chain Co.	TSE:6371	\$678	\$1,750	12.6%	7.4%	(6.3%)	2.6%	(10.7%)	3.3%	0.4	3.1	5.1	9.9	9.3	N/M	
Wolong Electric Group Co., Ltd.	SHSE:600580	\$2,698	\$2,162	10.9%	7.5%	5.8%	14.9%	48.4%	16.9%	1.2	8.2	13.3	12.8	10.5	2.1	
Zhejiang Sanhua Intelligent Controls Co., Ltd	SZSE:002050	\$12,839	\$3,272	16.4%	13.7%	17.5%	21.7%	35.8%	22.1%	3.0	18.1	21.4	31.2	24.7	NM	
Zhongshan Broad-Ocean Motor Co., Ltd.	SZSE:002249	\$1,338	\$1,524	7.7%	4.7%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/M	
				<b>Mean</b>	<b>11.6%</b>	<b>7.1%</b>	<b>(4.9%)</b>	<b>5.3%</b>	<b>11.0%</b>	<b>13.3%</b>	<b>1.3 x</b>	<b>8.5 x</b>	<b>12.2 x</b>	<b>20.4 x</b>	<b>16.0 x</b>	<b>1.9 x</b>
				<b>Median</b>	<b>11.7%</b>	<b>7.2%</b>	<b>(6.5%)</b>	<b>4.6%</b>	<b>0.8%</b>	<b>13.7%</b>	<b>0.8</b>	<b>7.6</b>	<b>12.3</b>	<b>13.9</b>	<b>13.6</b>	<b>1.7</b>

Source: Capital IQ. Figures as of October 31, 2023. Figures are as reported and have not been adjusted for recent acquisitions or divestitures.

## Median Forward Trading Multiples



Source: Capital IQ. Median multiples are based on enterprise values and estimated income statement figures as of the beginning of the period indicated.



BAIRD'S PERSPECTIVE ON THE FLOW, MOTION  
AND POWER TECHNOLOGIES SECTOR

## Selected Recent Transactions

## Selected Recent Transactions

Date Announced	Acquiror / HQ	Target / HQ	Target Business Description	Total Transaction Value (\$mil)	Enterprise Value/	
					Revenue	EBITDA
10/4/23	Dover Corporation 	FW Murphy Production Controls, LLC 	Provider of predictive maintenance and adaptive performance optimization components	\$530.0		
9/25/23	WEG S.A. 	Regal Rexnord Corporation's Industrial Motors and Generators businesses 	Provider of industrial motors and generators	400.0		
8/7/23	Newcleo Ltd 	Pompes Rutschi SAS 	Developer and producer of industrial pumps	76.0		
8/7/23	Waterco Limited 	Davey Water Products Pty Ltd 	Manufacturer of pumps, pressure systems, and wastewater treatment products	43.0		
7/19/23	Harbin Electric Corp Jiamusi Electric Machine CO.,Ltd 	Harbin Electric Power Equipment Company Limited 	Manufacturer of nuclear main pumps and nuclear motors	56.0	0.8x	
7/8/23	CEME S.p.A. (Investindustrial) 	Micropump 	Manufacturer of severe duty flow specialty chemical pumps	*	*	*
6/26/23	Nordson Corporation 	ARAG Group 	Manufacturer of spray accessories for the agricultural sector	1,047.0		
6/15/23	Lone Star Global Acquisitions Ltd 	Carlisle Fluid Technologies Inc 	Manufacturer of paints, powders, sealants, adhesives, and foams	520.0		
6/12/23	Ingersoll Rand Inc. 	Howden Roots LLC 	Manufacturer of air and gas handling equipment	300.0	2.6	
6/5/23	KKR & Co. 	Circor International, Inc. 	Provider of valves and other engineered products and fluid subsystems	1,558.0	1.9	12.6x
5/22/23	Momentum Group AB 	Askalon AB 	Provider of valves, valve services, and diagnostics	21.0		
4/3/23	Franchise Brands plc 	Pirtek Europe Holdings Ltd 	Provider of on-site hydraulic hoses and fittings replacement	247.0		
3/31/23	AMETEK, Inc. 	Bison Gear & Engineering Corp. 	Manufacturer of fractional horsepower electric motors, gearmotors, and gear reducers	99.3	1.2	
2/10/23	Flowserve Corporation 	Velan Inc 	Manufacturer of steel valves	209.0	0.5	5.8
2/8/23	En Ai Mu Corp 	Ihara Science Corp 	Manufacturer of high-pressure valves and associated pipe works	246.0	1.1	4.8
2/2/23	CEME S.p.A. (Investindustrial) 	Procon Pumps 	Supplier of custom fluid solutions for displacement pumps	75.0		
1/30/23	Brandford Castle Partners, LP 	Garlock Pipeline Technologies, Inc. 	Manufacturer of critical-service flange systems, spring-energized jacketed seals, and electrical flange isolation kits	31.4		
1/24/23	Wynnchurch Capital, L.P. 	FloWorks International, LLC 	Provider of specialty flow control solutions platform	*	*	*
1/17/23	Helios Technologies, Inc. 	Schultes Precision Manufacturing, Inc. 	Manufacturer of machine components and assemblies	84.7	2.8	
11/9/22	Chart Industries, Inc. 	Howden Group Limited 	Manufacturer of air and gas handling equipment including industrial fans, heaters, compressors, and steam turbines	4,400.0		
10/31/22	Science Group plc 	TP Group plc 	Producer of turbo compressors and designer of compressor seals	22.9	0.6	
10/27/22	Regal Rexnord Corporation 	Altra Industrial Motion Corp. 	Manufacturer of mechanical power transmission and motion control products	5,020.2	2.6	14.0
10/27/22	Ingersoll Rand Inc. 	Everest Blowers Private Limited 	Manufacturer of blowers and vacuum systems	86.0		
10/24/22	ESAB Corporation 	Ohio Medical, LLC 	Manufacturer and distributor of medical suction and oxygen products and source equipment	127.0	2.8	*
10/6/22	Ingersoll Rand Inc. 	Air Treatment business of SPX FLOW, Inc. 	Manufacturer of air treatment products	525.0		
9/6/22	The Timken Company 	GGB, Inc. 	Manufacturer of metal-polymer plain bearings	305.0		
9/5/22	Robert Bosch GmbH 	Elmo Motion Control Ltd. 	Manufacturer and developer of servo drives, controllers, and integrated motors	700.0		
8/29/22	Horowitz Capital Ltd. 	Silkroad Nickel Ltd. 	Manufacturer of bearings	78.5		
8/25/22	Hyllion Holdings Corp. 	Hydrogen And Fuel Agnostic Capable Generator business of General Electric Company 	Manufacturer of hydrogen and fuel agnostic capable generators	37.0		

Source: Dealogic, Capital IQ, and company reports. This page includes deals with a disclosed value of \$10+ million and selected Baird-advised deals.

\* Represents value that is used in aggregate M&A transaction data on pages 14-17 but is not publicly disclosed.



**BAIRD'S PERSPECTIVE ON THE FLOW, MOTION  
AND POWER TECHNOLOGIES SECTOR**

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Baird Flow, Motion and  
Power Technologies  
Experience & Expertise





# Baird's Flow, Motion and Power Technologies Transaction Experience

 building better companies Acquisition of <b>MICROPUMP</b> From 	 A Portfolio Company of <b>capvis</b> Sale to 	 \$304,031,250 Common Stock Follow-on Offering	 building better companies Acquisition of <b>PROCON</b> custom   fluid   solutions® From 	 A Portfolio Company of  Sale to 
 ALWAYS THERE   1947-1974 A Portfolio Company of <b>TENEX</b>   CAPITAL MANAGEMENT Sale to 	 \$500,000,000 Senior Notes Senior Notes Offering	 \$396,502,500 Common Stock Follow-on Offering	 Acquisition of FLOW CONTROL HOLDINGS A Portfolio Company of the edgewater funds and JZ PARTNERS	 \$520,000,000 Common Stock Follow-on Offering
 CURTIS Sale to 	 Distribution A Portfolio Company of LITTLEJOHN & CO. Sale to  / 	 A Portfolio Company of PERMIRA Sale to 	 COMPRESSOR PRODUCTS INT'L A Division of  Sale to 	 \$460,000,000 Common Stock Follow-on Offering
 Sale of <b>LASCO</b> Fittings, Inc. To  A Subsidiary of 	 FLOW CONTROL GROUP A Portfolio Company of  Sale to <b>KKR</b>	 A Portfolio Company of <b>EQT</b> Sale to 	<b>Gardner Denver</b> Merger with Industrial Segment of 	 Sale of its Instrumentation and Sampling Business to 
 A Portfolio Company of  Sale to <b>inflexion</b>	 A Portfolio Company of  Recapitalization with <b>GTCR</b>	 Sale to 	 Sale to <b>NIBCO</b>	 INVESTMENT MANAGEMENT Acquisition of Reciprocating Compression Division of 
<b>ENERPAC</b> <b>TOOL GROUP</b> Sale of ENGINEERED COMPONENTS & SYSTEMS to 	<b>KAMAN</b> Sale of Kaman's Distribution Segment to LITTLEJOHN & CO.	 POWERTRAIN GROUP The Off-Highway Powertrain Division of  A Subsidiary of Metrose Sale to <b>One Equity Partners</b>	 A Portfolio Company of  Sale to  A Portfolio Company of 	 FLOW CONTROL GROUP A Portfolio Company of  Sale to 

Note: Transactions selected for their relevance to the Flow, Motion and Power Technologies sector.  
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# Baird's Flow, Motion and Power Technologies Transaction Experience

<p>Engineered Drives &amp; Control Systems Businesses of</p>  <p>Sale to an Affiliate of</p> 	<p><b>REXNORD</b></p> <p>Sale of VAG Holding GmbH and GA Industries Holdings LLC to</p> 	<p><b>GCE</b> Gas Control Equipment A Portfolio Company of</p>  <p>Sale to</p> <p><b>COLFAX</b></p>	<p><b>UDG</b> A Portfolio Company of</p>  <p>Sale to</p>  <p>A Portfolio Company of</p> 	<p><b>TWIN DISC</b></p> <p>Acquisition of</p> 
<p><b>VANRIET</b></p> <p>A Portfolio Company of</p>  <p>Sale to</p>  <p>A Portfolio Company of</p> 	<p><b>NADELLA</b></p> <p>A Portfolio Company of</p>  <p>Sale to</p> <p><b>ICG</b></p>	<p><b>SUN hydraulics</b></p> <p>Acquisition of</p> <p><b>Faster</b></p> <p>from</p> <p><b>capvis</b></p>	<p><b>NICOTRA Gebhardt</b></p> <p>A Portfolio Company of</p>  <p>Sale to</p> 	<p><b>CEME</b></p> <p>A Portfolio Company of</p> <p><b>INVESTCORP</b></p> <p>Sale to</p> 
<p><b>Robertshaw</b></p> <p>A Portfolio Company of</p>  <p>Sale to</p> <p><b>ONE ROCK</b> CAPITAL PARTNERS</p>	<p><b>FC<sup>x</sup></b> performance</p> <p>A Portfolio Company of</p>  <p>Sale to</p> 	<p><b>REELCRAFT</b></p> <p>A Subsidiary of</p> <p><b>SKF</b></p> <p>Sale to</p> <p><b>MADISON</b> INDUSTRIES</p>	<p><b>DiversiTech</b></p> <p>A Portfolio Company of</p> <p><b>THE JORDAN COMPANY</b></p> <p>Sale to</p> <p><b>PERMIRA</b></p>	<p><b>GESTRA</b></p> <p>A Subsidiary of</p> <p><b>FLOWSERVE</b></p> <p>Sale to</p> <p><b>spirax sarco</b></p>
<p><b>SUN hydraulics</b></p> <p>Acquisition of Power Controls and Vehicle Technologies Lines of Business from</p> <p><b>ENOVATION</b> CONTROLS</p>	<p><b>SFC KOENIG</b></p> <p>A Portfolio Company of</p> <p><b>capvis</b> and <b>HgCapital</b></p> <p>Sale to</p> <p><b>IBEX</b></p>	<p>Kaydon Velocity Control Business</p> <p>A Group of Subsidiaries of</p> <p><b>SKF</b></p> <p>Sale to</p> <p><b>STABILUS</b></p>	<p><b>BLUFFTON MOTOR WORKS</b></p> <p>A Portfolio Company of</p> <p><b>CAPITALWORKS, LLC</b></p> <p>Sale to</p> <p><b>MEQ</b></p>	<p><b>GRW</b></p> <p>A Portfolio Company of</p> <p><b>AVEDON</b> CAPITAL PARTNERS</p> <p>Sale to</p> <p><b>KAMAN</b></p>
<p><b>OTC</b> Ohio Transmission Corporation Industrial Technology Solutions</p> <p>A Portfolio Company of</p> <p><b>Frontenac</b></p> <p>Sale to</p> <p><b>IRVING PLACE CAPITAL</b></p>	<p><b>Country Home</b> PRODUCTS</p> <p>A Portfolio Company of</p> <p><b>JHPartners</b></p> <p>Sale to</p> <p><b>GENERAC</b></p>	<p><b>BOYD</b> CORPORATION</p> <p>A Portfolio Company of</p> <p><b>SNOW PHIPPS</b></p> <p>Sale to</p> <p><b>GENSTAR</b></p>	<p><b>DIGI★STAR</b> PRECISELY</p> <p>A Portfolio Company of</p> <p><b>Baird Capital Partners</b></p> <p>Sale to</p> <p><b>TOPCON</b></p>	<p><b>3i</b></p> <p>Investment in</p> <p><b>ASPEN</b> PUMPS</p>
<p><b>moventas</b></p> <p>A Portfolio Company of</p>  <p>Financing Provided by</p> 	<p><b>REGAL</b></p> <p>Acquisition of the Power Transmission Solutions Business of</p> 	<p><b>Deutsche Beteiligungs AG</b> Has Acquired</p>  <p>A Subsidiary of</p> <p><b>NOV NATIONAL OILWELL VARCO</b> Baird acted as exclusive debt advisor to Deutsche Beteiligungs AG</p>	<p><b>SIH</b></p> <p>A Portfolio Company of</p> <p><b>TBG</b></p> <p>Sale to</p> <p><b>FLOWSERVE</b></p>	<p><b>Bopp &amp; Reuther</b></p> <p>A Company Held by</p> <p>A CONSORTIUM OF PRIVATE INVESTORS</p> <p>Sale to</p> <p><b>IMI</b></p>

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# Baird's Flow, Motion and Power Technologies Transaction Experience

 A Portfolio Company of  Sale to 	 A Portfolio Company of PFINGSTEN Sale to 	 A Portfolio Company of EQUITA New Financing Facility Provided by 	 A Portfolio Company of  Sale to 	 Acquisition of  A Portfolio Company of 
 A Portfolio Company of  Sale to 	 A Portfolio Company of  Sale to 	 A Portfolio Company of  Sale to 	 Sale to 	 A Portfolio Company of  Sale to 
 A Portfolio Company of  Sale to 	 A Portfolio Company of  Sale to SNOW PHIPPS	 A Portfolio Company of  Sale to 	 Sale to 	 A Portfolio Company of  and  Sale to 
 Acquisition of 	 A Portfolio Company of AMERICAN INDUSTRIAL PARTNERS Sale to 	 A Portfolio Company of  Sale to 	 Sale to 	
 A Portfolio Company of  Sale to  A Portfolio Company of 	 A Portfolio Company of  Sale to 	 A Portfolio Company of EQUITA Sale to 	 A Portfolio Company of  Sale to 	
 A Portfolio Company of  Sale to 	 [A Portfolio Company of]  [Sale to / Acquisition of / Merger with] 	 Sale to 	 Sale to 	

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## Transaction Spotlight – Sale of ARAG Group to Nordson Corporation



<b>Target Company</b>	ARAG Group
<b>Headquarters</b>	Rubiera, Italy
<b>Financial Sponsor</b>	Capvis AG
<b>Headquarters</b>	Baar, Switzerland
<b>Acquiring Company</b>	Nordson Corporation
<b>Headquarters</b>	Westlake, OH
<b>Transaction Closing</b>	August 24, 2023
<b>Transaction Overview</b>	ARAG Group (“ARAG”), privately held by funds advised by Capvis AG (“Capvis”), was acquired by Nordson Corporation (“Nordson”) (Nasdaq: NDSN) for an enterprise value of €960 million.
<b>Target Company Description</b>	ARAG is a global market and innovation leader in the development, production, and supply of precision control systems and smart fluid components for agricultural spraying. Its portfolio consists of three key product families: fluid components, such as nozzles, pumps, and filters; smart components that measure and control the flow, quantity, and location of dispensed fluid; and control systems that provide a greater variety of input and functionality to the customer. ARAG’s broad product portfolio is further supported by differentiated software and data capabilities. Established in 1976, ARAG supports its customers through seven manufacturing and distribution locations globally and a sales network serving more than 80 countries.
<b>Financial Sponsor Description</b>	Capvis is a Swiss private equity investor. As the exclusive Capvis fund adviser, Capvis AG primarily acquires majority stakes in leading medium-sized technological firms in Switzerland, Germany, Austria, and Italy. Its activity is founded on its longstanding experience in creating local and global market leaders in the fields of healthcare, industrial technology, and advanced services and software. Entrepreneurial cooperation with strong management teams ensures that the potential of companies is developed to the full while creating long-term values. Since 1990, Capvis has completed 63 transactions representing a total investment of about €4 billion. Capvis has floated ten companies on the stock exchange and has been voted best investment company in Switzerland by the international specialist press on several occasions.
<b>Acquiring Company Description</b>	Nordson Corporation is an innovative precision technology company that leverages a scalable growth framework through an entrepreneurial, division-led organization to deliver top tier growth with leading margins and returns. The company’s direct sales model and applications expertise serves global customers through a wide variety of critical applications. Its diverse end-market exposure includes consumer non-durable, medical, electronics, and industrial end markets. Founded in 1954, the company has operations and support offices in over 35 countries.
<b>Advisory Role</b>	Baird served as the exclusive financial advisor to ARAG’s shareholders on this transaction.

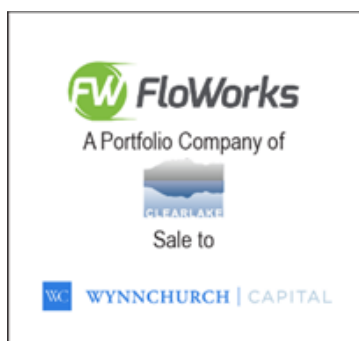


## Transaction Spotlight – Investindustrial’s Acquisition of Standex International Corporation’s Procon Products Business



<b>Target Company</b>	Procon Products
<b>Headquarters</b>	Smyrna, TN
<b>Parent Company</b>	Standex International Corporation
<b>Headquarters</b>	Salem, NH
<b>Acquiring Company</b>	Investindustrial
<b>Headquarters</b>	London, England
<b>Transaction Closing</b>	February 28, 2023
<b>Transaction Overview</b>	Investindustrial and its portfolio company, CEME S.p.A., have completed the acquisition of the Procon Products business of Standex International Corporation (NYSE: SXI) at an enterprise value of \$75 million.
<b>Target Company Description</b>	Procon Products is a global supplier of custom fluid solutions that combines collaborative design expertise, bespoke solution engineering, and a high-quality, highly-engineered portfolio of niche positive displacement pumps. It is a valued channel partner to a diverse base of "top tier" OEMs and distributors offering tailored solutions for critical and challenging fluid system applications. The company is a leading innovator in the rotary vane and gear pump segments.
<b>Parent Company Description</b>	Standex International Corporation is a global multi-industry manufacturer in five broad business segments: Electronics, Engraving, Scientific, Engineering Technologies, and Specialty Solutions with operations in the United States, Europe, Canada, Japan, Singapore, Mexico, Brazil, Turkey, South Africa, India, and China.
<b>Acquiring Company Description</b>	Founded in 1990, Investindustrial is a leading European investment and advisory group with over €12 billion of raised fund capital. It provides industrial solutions and capital to high-quality mid-market companies. Among its portfolio of companies is CEME Group, which manufactures solenoid pumps, rotary pumps, and solenoid valves in Italy and across the globe. CEME Group is known for its technical engineering know-how, quality, flexibility and for its unique ability to develop innovative solutions for customers in Italy and other international markets.
<b>Advisory Role</b>	Baird served as the exclusive financial advisor to Investindustrial on this transaction.

## Transaction Spotlight – Sale of FloWorks International, LLC to Wynnchurch Capital, L.P.



<b>Target Company</b>	FloWorks International, LLC
<b>Headquarters</b>	Houston, TX
<b>Financial Sponsor</b>	Clearlake Capital Group, L.P.
<b>Headquarters</b>	Santa Monica, CA
<b>Acquiring Company</b>	Wynnchurch Capital, L.P.
<b>Headquarters</b>	Rosemont, IL
<b>Transaction Closing</b>	January 20, 2023
<b>Transaction Overview</b>	FloWorks International, LLC (“FloWorks” or the “Company”), a portfolio company of Clearlake Capital Group, L.P. (“Clearlake”), was acquired by Wynnchurch Capital, L.P. (“Wynnchurch”). Terms of the transaction were not disclosed.
<b>Target Company Description</b>	FloWorks is a leading specialty distributor of critical flow control products and provider of tailored technical solutions for MRO-focused applications. The Company serves customers across high purity & sanitary, chemicals, downstream refining & renewables, and other industrial end markets. FloWorks operates over 50 strategically located facilities that service the major industrial markets of North America, with an emerging presence in Asia. FloWorks’ strong local presence enables the Company to reduce order response time, provide a high level of service, and establish long-term customer relationships.
<b>Financial Sponsor Description</b>	Clearlake Capital Group, L.P. is an investment firm founded in 2006, operating integrated businesses across private equity, credit, and other related strategies. With a sector-focused approach, the firm seeks to partner with experienced management teams by providing patient, long-term capital to dynamic businesses that can benefit from Clearlake’s operational improvement approach, O.P.S.® Clearlake’s core target sectors are technology, industrials, and consumer. Clearlake currently has over \$70 billion of assets under management, and its senior investment principals have led or co-led over 400 investments.
<b>Acquiring Company Description</b>	Wynnchurch was founded in 1999 and is a leading middle-market private equity investment firm. Wynnchurch’s strategy is to partner with middle-market companies in the United States and Canada that possess the potential for substantial growth and profit improvement. Wynnchurch manages a number of private equity funds with \$5.3 billion of regulatory assets under management and specializes in recapitalizations, growth capital, management buyouts, corporate carve-outs and restructurings.
<b>Advisory Role</b>	Baird served as the lead financial advisor to FloWorks on this transaction.

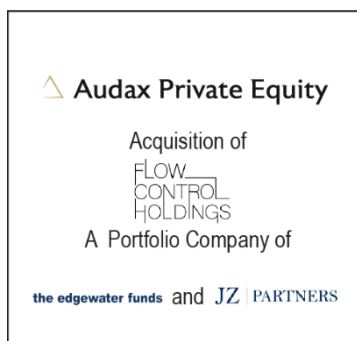
## Transaction Spotlight – Sale of Ohio Medical, LLC to ESAB Corporation



<b>Target Company</b> <i>Headquarters</i>	Ohio Medical, LLC Gurnee, IL
<b>Financial Sponsor</b> <i>Headquarters</i>	Tenex Capital Management New York, NY
<b>Acquiring Company</b> <i>Headquarters</i>	ESAB Corporation North Bethesda, MD
<b>Transaction Closing</b>	October 14, 2022
<b>Transaction Overview</b>	Ohio Medical, LLC (“Ohio Medical” or the “Company”), a portfolio company of Tenex Capital Management (“Tenex”), has been acquired by ESAB Corporation (“ESAB”) (NYSE: ESAB).
<b>Target Company Description</b>	Ohio Medical manufactures and distributes medical suction and oxygen (“SOT”) products and source equipment (“Systems”). SOT product offering includes branded suction / vacuum regulators, flow meters, and medical gas hoses. Systems includes medical gas pipelines, service, and source equipment. Ohio Medical was originally founded in 1910 in Cleveland, Ohio.
<b>Financial Sponsor Description</b>	Tenex Capital Management is a private equity firm that invests in middle-market companies. Tenex uses an in-house team of hybrid investment professionals skilled in operational leadership, investing, and capital markets structuring to maximize long-term value creation. Tenex’s deep operating experience allows the firm to collaborate with management teams to capitalize on business and market opportunities. Tenex has successfully invested in a diverse range of industries, including diversified industrials, business and tech-enabled services, and healthcare.
<b>Acquiring Company Description</b>	ESAB Corporation is a world leader in fabrication and gas control technology, providing its partners with advanced equipment, consumables, gas control equipment, robotics, and digital solutions which enable the everyday and extraordinary work that shapes the world.
<b>Advisory Role</b>	Baird served as the exclusive financial advisor to Ohio Medical on this transaction.

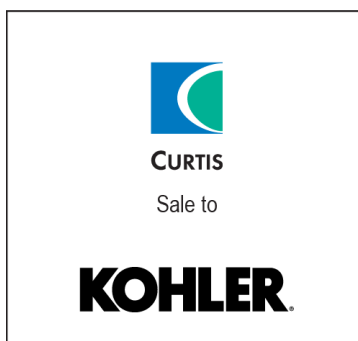


## Transaction Spotlight – Audax Private Equity’s Acquisition of Flow Control Holdings, LLC



<b>Target Company</b>	Flow Control Holdings, LLC
<b>Headquarters</b>	Cincinnati, OH
<b>Financial Sponsor</b>	The Edgewater Funds
<b>Headquarters</b>	Chicago, IL
<b>Financial Sponsor</b>	JZ Partners
<b>Headquarters</b>	Chicago, IL & New York, NY
<b>Acquiring Company</b>	Audax Private Equity
<b>Headquarters</b>	Boston, MA
<b>Transaction Closing</b>	March 31, 2022
<b>Transaction Overview</b>	Audax Private Equity (“Audax Group”) has completed the acquisition of Flow Control Holdings, LLC (“Flow Control Holdings”), a portfolio company of The Edgewater Funds (“Edgewater”) and JZ Partners (“JZ”).
<b>Target Company Description</b>	Flow Control Holdings is a premier provider of highly-engineered flow components for the food, beverage, and pharmaceutical industries and is the parent company to both Steel & O’Brien Manufacturing and Ace Sanitary. Flow Control Holdings offers a broad portfolio of sanitary and high purity products including pumps, valves, multi-use and single-use hose assemblies, fittings, and engineered solutions.
<b>Financial Sponsor Description</b>	The Edgewater Funds is a private equity firm with over \$2.8 billion of capital commitments raised since 2001. Through Edgewater Growth Capital Partners, the firm partners with management to help accelerate growth in their businesses.
<b>Financial Sponsor Description</b>	JZ Partners has an established track record of investing alongside the owners and management teams of privately held businesses to build successful companies and create long-term value. The principals of JZ Partners have made more than 300 investments, representing an aggregate of over \$4 billion, since 1986.
<b>Acquiring Company Description</b>	Audax Group is a leading alternative investment manager with offices in Boston, New York, and San Francisco. Since its founding in 1999, the firm has raised over \$30 billion in capital across its Private Equity and Private Debt businesses. Audax Private Equity has invested over \$9 billion in more than 150 platforms and over 1,050 add-on companies and is currently investing out of its \$3.5 billion, sixth private equity fund. Through its disciplined Buy & Build approach, Audax Private Equity seeks to help platform companies execute add-on acquisitions that fuel revenue growth, optimize operations, and significantly increase equity value.
<b>Advisory Role</b>	Baird served as the exclusive financial advisor to Audax Private Equity on this transaction.

## Transaction Spotlight – Sale of Curtis Instruments, Inc. to Kohler Co., Inc.



<b>Target Company</b>	Curtis Instruments, Inc.
<b>Headquarters</b>	Mount Kisco, NY
<b>Acquiring Company</b>	Kohler Co., Inc.
<b>Headquarters</b>	Kohler, WI
<b>Transaction Closing</b>	December 23, 2021
<b>Transaction Overview</b>	Curtis Instruments, Inc. (“Curtis” or the “Company”) has been acquired by Kohler Co., Inc. (“Kohler”).
<b>Target Company Description</b>	Curtis is a leading electrification partner to OEMs across a broad range of markets, including material handling, golf and recreational vehicles, mobile elevated work platforms, construction, agriculture, turfcare, marine, and select on-road segments. The Company’s product portfolio spans motor speed controllers, HMLs and instrumentation, power conversion, CAN modules, and other accessories. With a deep roster of talent across five engineering centers, Curtis also develops advanced software solutions for its customers. The Company employs approximately 1,100 individuals and operates in 16 countries, including manufacturing locations in Puerto Rico, Bulgaria, China, and India. Curtis was founded in 1960.
<b>Acquiring Company Description</b>	Kohler is a global leader in the design, innovation, and manufacture of kitchen and bath products; luxury cabinetry, tile, and lighting; engines, generators, and clean energy solutions; and owner / operator of two, five-star hospitality and golf resort destinations. Within Kohler Power, Kohler manufactures engines and complete power systems, including generators (portable, marine, residential, commercial, and industrial), automatic transfer switches, switchgear, monitoring controls, and accessories for emergency, prime power, and energy-management applications all around the world. Kohler maintains 50 manufacturing facilities along with 110 distribution facilities across North America, Europe, and Asia. Kohler was founded in 1873.
<b>Advisory Role</b>	Baird served as the exclusive financial advisor to Curtis Instruments, Inc. on this transaction.

## Transaction Spotlight – Sale of DiversiTech Holdings, Inc. to Partners Group



<b>Target Company</b>	DiversiTech Holdings, Inc.
<b>Headquarters</b>	Duluth, GA
<b>Financial Sponsor</b>	Permira Advisors
<b>Headquarters</b>	London, England
<b>Acquiring Company</b>	Partners Group
<b>Headquarters</b>	Baar, Switzerland
<b>Transaction Closing</b>	December 22, 2021
<b>Transaction Overview</b>	DiversiTech Holdings, Inc. (“DiversiTech” or the “Company”), a portfolio company of Permira Advisors (“Permira”), announced its sale to Partners Group, acting on behalf of its clients, for \$2.2 billion.
<b>Target Company Description</b>	DiversiTech is North America’s leading supplier of equipment pads, components, and related products for multiple industries, including: HVAC/R, electrical, consumer hardware retail, electrical utility, automotive retail, and pool and spa channel. DiversiTech’s mission for its wholesaler partners is to simplify their work by offering more than 200 product categories – all from a single manufacturing / supplier source – to create product availability and supply chain cost advantages for customers in every market served. DiversiTech’s mission for contractors is to simplify their work by offering high-quality, innovative, and advanced products that save time on installations and headaches from unnecessary customer call-backs. Combining exceptional customer support with a full line of HVAC parts and accessories, DiversiTech provides contractors with the resources and tools they need to meet any of their customer needs. DiversiTech was founded in 1971.
<b>Financial Sponsor Description</b>	Permira is a global investment firm that backs successful businesses with growth ambitions. Founded in 1985, the firm advises funds with total committed capital of approximately \$50 billion (€44 billion) and makes long-term majority and minority investments. The Permira funds have made over 250 private equity investments in four key sectors: Technology, Consumer, Services, and Healthcare. The Permira funds have an extensive track record in tech investing, having invested \$15.9 billion in 58 companies across enterprise cloud adoption, SaaS, fintech, and online marketplaces. Permira employs over 350 people in 15 offices across Europe, North America, and Asia.
<b>Acquiring Company Description</b>	Partners Group is a leading global private markets firm with over \$119 billion in assets under management. Since 1996, the firm has invested over \$150 billion in private equity, private real estate, private debt, and private infrastructure on behalf of its clients globally. The firm employs more than 1,500 professionals across 20 offices worldwide. It has been listed on the SIX Swiss Exchange since 2006 (symbol: PGHN).
<b>Advisory Role</b>	Baird served as financial advisor to DiversiTech Holdings, Inc. on this transaction.

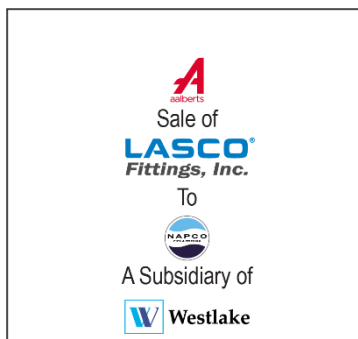
## Transaction Spotlight – Enpro Industries’ Sale of Compressor Products International to Howden Group



<b>Target Company</b> <i>Headquarters</i>	Compressor Products International <i>Houston, TX</i>
<b>Parent Company</b> <i>Headquarters</i>	Enpro Industries <i>Charlotte, NC</i>
<b>Acquiring Company</b> <i>Headquarters</i>	Howden Group <i>Renfrew, Scotland</i>
<b>Transaction Closing</b>	December 21, 2021
<b>Transaction Overview</b>	Compressor Products International (“CPI” or the “Company”), a division of Enpro Industries, Inc. (“Enpro”) (NYSE: NPO), announced its sale to Howden Group (“Howden”), for an aggregate purchase price of \$195 million.
<b>Target Company Description</b>	CPI is a leading designer, engineer, and manufacturer of a broad range of precision-engineered aftermarket and OEM components serving the global reciprocating compressor industry. CPI’s diverse solution mix includes compressor sealing and wear components; valves; lubrication components and systems; condition monitoring devices; and maintenance, reconditioning, and overhauling services. CPI leverages its differentiated materials science, engineering, and application expertise to provide solutions to customer’s unique operating conditions.
<b>Target Parent Company Description</b>	Enpro is an industrial technology company focused on niche applications across many end markets, including semiconductor, photonics, industrial process, aerospace, food, and pharma and life sciences.
<b>Acquiring Company Description</b>	Howden is a leading global provider of mission critical air and gas handling products that enables its customers’ vital processes which advance a more sustainable world. Howden has over 160 years of heritage as a world-class application engineering and manufacturing company with a presence in 35 countries. Howden manufactures highly-engineered fans, compressors, heat exchangers, steam turbines, and other air and gas handling equipment, and provides service and support to customers around the world in highly diversified end markets and geographies. Since September 2019, Howden has been a portfolio company of KPS Capital Partners, LP.
<b>Advisory Role</b>	Baird served as financial advisor to Compressor Products International on this transaction.



## Transaction Spotlight – Aalberts N.V.’s Sale of LASCO Fittings, Inc. to North American Pipe Corporation



<b>Target Company</b>	LASCO Fittings, Inc.
<b>Headquarters</b>	Brownsville, TN
<b>Parent Company</b>	Aalberts N.V.
<b>Headquarters</b>	Utrecht, Netherlands
<b>Acquiring Company</b>	North American Pipe Corporation
<b>Headquarters</b>	Houston, TX
<b>Parent Company</b>	Westlake Chemical Corporation
<b>Headquarters</b>	Houston, TX
<b>Transaction Closing</b>	August 23, 2021
<b>Transaction Overview</b>	Aalberts N.V. (“Aalberts”) (ENXTAM: AALB) completed the sale of LASCO Fittings, Inc. (“LASCO” or the “Company”) to North American Pipe Corporation (“NAPCO”), a subsidiary of Westlake Chemical Corporation (“Westlake”) (NYSE: WLK).
<b>Target Company Description</b>	LASCO is a leading designer, engineer, and manufacturer of injected-molded PVC fittings. The Company serves a wide range of applications, including irrigation & golf, pool & spa, industrial, and plumbing markets. LASCO operates a 48-acre, 500,000 square foot manufacturing and distribution facility and eight regional distribution facilities strategically located throughout the United States to promptly supply its customers across North America.
<b>Target Parent Company Description</b>	Aalberts engineers mission-critical technologies for ground-breaking industries and everyday life, focusing on eco-friendly buildings, semicon efficiency, sustainable transportation, and industrial niches. Aalberts has a global footprint and is headquartered in Utrecht, Netherlands.
<b>Acquiring Company Description</b>	NAPCO is a leading North American PVC pipe manufacturer. NAPCO supplies a broad range of gasketed, solvent welded, and restrained joint pipes for a diverse range of markets, including municipal water and sewer, residential plumbing, water well, and agricultural turf irrigation. NAPCO has a large and seasoned R&D team driving product enhancements that deliver innovative solutions that meet customers’ most challenging needs. NAPCO offers a large selection of PVC piping and fittings, including brands such as Certa-Lok®, Yelomine®, Certa-Set®, and Certa-Flo®.
<b>Acquiror Parent Company Description</b>	Westlake is a global manufacturer and supplier of materials and innovative products that enhance life every day. Westlake provides the building blocks for vital solutions — from building products and infrastructure materials, to packaging and healthcare products, to automotive and consumer goods.
<b>Advisory Role</b>	Baird served as the exclusive financial advisor to Aalberts N.V. on this transaction.

## Transaction Spotlight – Sale of Flow Control Group to KKR & Co. Inc.



<b>Target Company</b> <i>Headquarters</i>	Flow Control Group Charlotte, NC
<b>Financial Sponsor</b> <i>Headquarters</i>	Bertram Capital Management, LLC Peoria, AZ
<b>Acquiring Company</b> <i>Headquarters</i>	KKR & Co. Inc. New York, NY
<b>Transaction Closing</b>	April 1, 2021
<b>Transaction Overview</b>	Flow Control Group, a portfolio company of Bertram Capital Management, LLC (“Bertram Capital”), was acquired by KKR & Co. Inc. (“KKR”) (NYSE: KKR). Terms of the transaction were not disclosed.
<b>Target Company Description</b>	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. Customers rely on Flow Control Group for its engineering expertise, technical support, and service capabilities for high value products including air equipment, pumps, valves, process control, and industrial automation, amongst other product categories.
<b>Financial Sponsor Description</b>	Bertram Capital is a private equity firm targeting investments in lower middle-market companies. Since its inception in 2006, Bertram Capital has raised over \$1.9 billion of capital commitments. In addition to supplying strategic growth capital, Bertram Capital leverages proprietary processes and services, Bertram High-5sm and Bertram Labs, to empower its portfolio companies to unlock their full business potential. The Bertram High-5sm is an operationally-focused value creation strategy, which includes management augmentation, operational initiative implementation, complementary business acquisition, sales and marketing improvements, and leveraging technology and IP.
<b>Acquiring Company Description</b>	KKR is a leading global investment firm that offers alternative asset management and capital markets and insurance solutions. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and supporting growth in its portfolio companies and communities. KKR sponsors investment funds that invest in private equity, credit, and real assets and has strategic partners that manage hedge funds. References to KKR’s investments may include the activities of its sponsored funds and insurance subsidiaries.
<b>Advisory Role</b>	Baird served as the exclusive financial advisor to Flow Control Group on this transaction.

## Transaction Spotlight – Colfax Corporation Follow-on Offering

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<b>Company</b>	Colfax Corporation
<b>Headquarters</b>	Annapolis Junction, MD
<b>Offer Date</b>	March 16, 2021
<b>Transaction Overview</b>	Colfax Corporation (“Colfax” or the “Company”) (NYSE: CFX) completed a follow-on offering of 16,100,000 shares of its common stock at a price of \$46.00 per share, generating gross proceeds of \$740.6 million, inclusive of the underwriters’ option to purchase an additional 2,100,000 shares of common stock from the Company. The Company intends to use the net proceeds for working capital and other general corporate purposes.
<b>Company Description</b>	Colfax is a leading diversified technology company that provides specialty medical technologies and fabrication technology products and services to customers around the world, principally under the DJO and ESAB brands. Colfax believes that its brands are among the most highly recognized in each of the markets that it serves. The Company uses its Colfax Business System, a comprehensive set of tools, processes, and values, to create superior value for customers, shareholders, and associates.
<b>Advisory Role</b>	Baird served as a co-manager on this offering.

## Transaction Spotlight – Sale of Dorner Mfg. Corp. to Columbus McKinnon Corporation



<b>Target Company</b> <i>Headquarters</i>	Dorner Mfg. Corp. <i>Hartland, WI</i>
<b>Financial Sponsor</b> <i>Headquarters</i>	EQT Partners <i>Stockholm, Sweden</i>
<b>Acquiring Company</b> <i>Headquarters</i>	Columbus McKinnon Corporation <i>Getzville, NY</i>
<b>Transaction Closing</b>	April 7, 2021
<b>Transaction Overview</b>	Dorner Mfg. Corp. (“Dorner” or the “Company”), a portfolio company of EQT Partners (“EQT”), was acquired by Columbus McKinnon Corporation (“Columbus McKinnon”) (NASDAQ: CMCO) for \$485 million.
<b>Target Company Description</b>	Dorner is a leading global provider of high precision conveyor solutions for high growth and resilient end markets including e-commerce, life sciences, food & beverage, industrial automation, packaging, and CPG. Dorner supports the quickly evolving automation industry, which is backed by the accelerating adoption of automated solutions. Dorner's robust product portfolio extends across modular standard and highly engineered solutions along with aftermarket parts and services. Dorner's proprietary DTools software provides access to its comprehensive solution library and allows customers to design and specify their own customized conveyors. The Company serves a global blue chip customer base with manufacturing facilities in North America, Latin America, Europe, and Asia and has approximately 400 employees worldwide.
<b>Financial Sponsor Description</b>	EQT is a purpose-driven global investment organization with more than €84 billion in raised capital and over €52 billion in assets under management across 17 active funds. EQT funds have portfolio companies in Europe, Asia-Pacific, and North America with total sales of approximately €29 billion and more than 175,000 employees. EQT works with portfolio companies to achieve sustainable growth, operational excellence, and market leadership.
<b>Acquiring Company Description</b>	Columbus McKinnon is a leading worldwide designer, manufacturer, and marketer of intelligent motion solutions that efficiently and ergonomically move, lift, position, and secure materials. Columbus McKinnon is focused on commercial and industrial applications that require the safety and quality provided by its superior design and engineering know-how.
<b>Advisory Role</b>	Baird served as lead financial advisor to Dorner Mfg. Corp. on this transaction.



## Transaction Spotlight – Sale of Aspen Pumps Group to Inflexion Private Equity Partners LLP



<b>Target Company</b>	Aspen Pumps Group
<b>Headquarters</b>	Hailsham, England
<b>Financial Sponsor</b>	3i Group plc
<b>Headquarters</b>	London, England
<b>Acquiring Company</b>	Inflexion Private Equity Partners LLP
<b>Headquarters</b>	London, England
<b>Transaction Closing</b>	January 31, 2020
<b>Transaction Overview</b>	Aspen Pumps Group (“Aspen” or the “Company”), a portfolio company of 3i Group plc (“3i”) (LSE: III), was acquired by Inflexion Private Equity Partners LLP (“Inflexion”). Terms of the transaction were not disclosed.
<b>Target Company Description</b>	Aspen is the global leader in the supply of condensate removal pumps into the fast growing air conditioning market. Aspen has also built an impressive portfolio of brands including Xtra accessory products, JAVAC tools, Advanced chemicals, and Big Foot roof support systems. In December 2019 Aspen Pumps celebrated the milestone of selling 1 million pumps in a single year, further cementing its position as the wholesalers’ choice for innovation and reliability.
<b>Financial Sponsor Description</b>	3i is a leading international investment manager focused on mid-market private equity and infrastructure. Its core investment markets are northern Europe and North America.
<b>Acquiring Company Description</b>	Inflexion is a mid-market private equity firm investing in high growth, entrepreneurial businesses. Inflexion has offices in London, Manchester, Boston, Brazil, China, and India and backs both majority and minority investments. Funds advised by Inflexion have approximately £5.4 billion assets under management.
<b>Advisory Role</b>	Baird served as the exclusive financial advisor to Aspen Pumps Group and 3i Group plc.

## Transaction Spotlight – Merger of Gardner Denver Holdings, Inc. and Ingersoll-Rand Plc’s Industrial Segment



<b>Target Company</b>	Gardner Denver Holdings, Inc.
<b>Headquarters</b>	Milwaukee, WI
<b>Acquiring Company</b>	Ingersoll-Rand Plc
<b>Headquarters</b>	Swords, Ireland
<b>Transaction Closing</b>	February 29, 2020
<b>Transaction Overview</b>	<p>Gardner Denver Holdings, Inc. (“Gardner Denver” or the “Company”) completed its merger with the Industrial segment of Ingersoll-Rand plc (“Ingersoll Rand Industrial”). The newly combined company is now named “Ingersoll Rand Inc.” (“Ingersoll Rand”), with Ingersoll-Rand plc now operating as Trane Technologies plc (“Trane Technologies” or “Trane”). In a Reverse-Morris Trust transaction, Ingersoll-Rand plc separated Ingersoll Rand Industrial by way of a spin-off to existing shareholders and then combined it with Gardner Denver (“IndustrialCo”), creating a premier flow control and industrial technology platform with an enterprise value of approximately \$15 billion at the time of the transaction announcement.</p> <p>Under the terms of the agreement, Ingersoll-Rand plc received \$1.9 billion in cash from Ingersoll Rand Industrial that was funded by newly-issued debt assumed by Gardner Denver in the merger. Existing Ingersoll-Rand plc shareholders received 50.1% of the shares of IndustrialCo on a fully diluted basis, valued at approximately \$5.8 billion at the time of the transaction announcement. Existing Gardner Denver shareholders retained 49.9% of the shares of IndustrialCo on a fully diluted basis. The transaction was tax-free to Ingersoll-Rand plc and Gardner Denver’s respective shareholders for United States federal income tax purposes.</p>
<b>Merging Company Description</b>	Gardner Denver was a global provider of mission-critical flow control and compression equipment and associated aftermarket parts, consumables, and services to the industrial, energy, and medical markets.
<b>Merging Company Description</b>	Ingersoll Rand Industrial was a global provider of compression equipment, transportation vehicles, and mission-critical flow control products to industrial and energy end markets. Ingersoll Rand Industrial was comprised of its Compressor Systems, Club Car, Power Tools, Fluid Management, Material Handling, and Precision Flow Systems businesses.
<b>Newly Formed Company Description</b>	Ingersoll Rand is a global market leader with a broad range of innovative and mission-critical air, fluid, energy, medical, and specialty vehicle solutions. With over 40 respected brands, Ingersoll Rand operates through four reportable segments, including Industrial Technologies and Services, Precision and Science Technologies, High Pressure Solutions, and Specialty Vehicle Technologies.
<b>Acquiring Company Description</b>	Trane Technologies is a global climate innovator that operates under the brands Trane and Thermo King. Trane offers an environmentally responsible portfolio of products and services and sustainable climate solutions to buildings, homes, and transportation and has over 36,000 employees worldwide.
<b>Advisory Role</b>	Baird served as financial advisor to Gardner Denver Holdings, Inc. and provided a fairness opinion to the Board of Directors.

## Transaction Spotlight – CIRCOR International, Inc.’s Sale of its Instrumentation and Sampling Business to Crane Co.



<b>Target Company</b>	CIRCOR International, Inc.’s Instrumentation and Sampling Business
<b>Headquarters</b>	<i>Burlington, MA</i>
<b>Acquiring Company</b>	Crane Co.
<b>Headquarters</b>	<i>Stamford, CT</i>
<b>Transaction Closing</b>	January 31, 2020
<b>Transaction Overview</b>	CIRCOR International, Inc. (“CIRCOR”) (NYSE: CIR) announced the sale of its Instrumentation and Sampling business (“I&S” or the “Company”) to Crane Co. (“Crane”) (NYSE: CR) for \$172 million.
<b>Target Company Description</b>	<p>CIRCOR designs, manufactures, and markets highly-engineered flow and motion control products for markets including industrial, energy, and aerospace &amp; defense. CIRCOR has a diversified product portfolio with recognized, market-leading brands that fulfill its customers’ unique application needs. CIRCOR has a global presence and operates 28 major manufacturing facilities that are located in North America, Western Europe, Morocco, and India.</p> <p>I&amp;S historically generated approximately \$80 million in annual revenue with operating income margins of approximately 19%. I&amp;S manufactures valves, fittings, regulators, and sampling systems, primarily serving energy end markets.</p>
<b>Acquiring Company Description</b>	Crane is a diversified manufacturer of highly-engineered industrial products. Crane provides products and solutions to customers in the chemicals, oil & gas, power, automated payment solutions, banknote design, and production, and aerospace & defense markets, along with a wide range of general industrial and consumer related end markets. Crane has four business segments: fluid handling, payment & merchandising technologies, aerospace & electronics, and engineered materials.
<b>Advisory Role</b>	Baird served as the exclusive financial advisor to CIRCOR International, Inc.

## Baird's Flow, Motion and Power Technologies Team

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Joe is Co-Head of Baird's Global Industrial Group and has worked in investment banking at Baird for over 25 years, successfully completing over 150 transactions. Joe has deep experience in leading public and private company M&A, equity and debt transactions, and strategic advisory assignments within the global industrial sector. Joe's sub-sector expertise includes flow and motion control, power, industrial technology, industrial equipment, energy solutions, and other related markets. While leading Baird's multiple Global Industrial sector teams, Joe also manages key client relationships in North America, Europe, and Asia, and his experience includes advising on numerous cross-border transactions. Prior to joining Baird, Joe was an accountant at Deloitte and Touche, LLP, where he provided audit and advisory services. He received an MBA, with honors, from the J.L. Kellogg School of Management at Northwestern University and a BS degree in Accounting from Marquette University. Joe is very active in the community, including past involvement at Marquette University High School, St. Anthony Parish, The Parenting Network, the United Way, and the Kettle Moraine School District. He is currently a board member for Badger Mutual Insurance Company.

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Nick Sealy qualified as a chartered accountant with Peat Marwick in South Africa. He spent ten years at Barings in domestic and international corporate finance (North America, South Africa) and capital markets. Nick joined Baird in 1996, became a director in 1998, a managing director in 2003 and Co-Head of European Investment Banking in 2004. Nick has wide experience of company sales and acquisitions, public offers, bid defenses, and capital raisings. Nick now focuses on Industrial M&A working with North American, European, and Asian clients.

### **DALE E. RUDOW** – *MANAGING DIRECTOR*



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Dale Rudow is a Managing Director in Baird's Global Investment Banking Group. Since 2006, Dale has participated in over 55 completed mergers, acquisitions, and corporate financing transactions, representing more than \$26 billion in aggregate transaction value. Dale is a member of Baird's Industrial team, with an emphasis on transactions in climate technologies, thermal management, process and flow control markets. Prior to his time in investment banking, Dale was a CPA with PriceWaterhouseCoopers, LLP, where he provided international tax advisory services. Dale received an MBA from The University of Chicago Booth School of Business and a Bachelor of Science in Accounting from the University of Iowa.

### **JENNIFER ROEPER** – *DIRECTOR*



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Jen Roeper is a Director in Baird's Global Industrial Group, where she provides execution support on mergers and acquisitions, corporate financings, and other financial advisory services. She has advised a wide range of sponsor-owned, family-owned, and publicly-traded companies across the flow and motion control and specialty materials industries, among others. Prior to joining Baird in 2015, Jen worked for Generation Growth Capital as a private equity analyst. She received her MBA from the University of Wisconsin-Madison School of Business with a concentration in Finance and Investment Banking and Bachelor of Arts degrees in History and Geography from the University of Wisconsin-Madison, where she graduated with distinction.



## Baird's Flow, Motion and Power Technologies Team

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### **STEPHEN B. GUY** – *MANAGING DIRECTOR*



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Steve Guy is a Managing Director in Baird's Industrial Investment Banking practice and joined Baird in 2000. Over his career, Steve has advised on a variety of mergers and acquisitions and financings, for public, private equity, and family-owned businesses serving most sectors of the global economy. In particular, Steve has completed more than 50 transactions totaling more than \$11.0 billion in the filtration industry. Before joining Baird, Steve was a Vice President at Tucker Anthony. Prior to graduate business school, he provided corporate tax and other advisory services for Price Waterhouse (now PriceWaterhouseCoopers). Steve earned an MBA with distinction from the University of Michigan Business School and graduated with a BA in English Language and Literature from the University of Virginia. He currently serves on the board of directors of Deltrol Corporation (since 2016) and The Water Council (since 2023), and previously served on the board of trustees of University School of Milwaukee (from 2013-2023).

### **JOEL A. COHEN** – *MANAGING DIRECTOR, CHAIRMAN OF GLOBAL INDUSTRIAL INVESTMENT BANKING*



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Joel is the Chairman of Baird's Global Industrial Group advising the firm's clients on corporate finance and M&A activities in the U.S., Europe, and Asia. He focuses on the Industrial Technology and Test, Measurement and Automation sector, a practice that he initiated for the firm over 20 years ago and has completed over 100 transactions. Prior to his chairman role, Joel co-headed Baird's Global Industrial Group for eight years. Joel brings over 30 years of extensive experience in originating and executing a broad range of strategic transactions for publicly-traded, sponsor-owned, and privately-owned companies. His long-term sector focus, deep domain knowledge, and a broad set of industry relationships enable him to provide unique value to his clients. Before joining Baird in 1994, Joel was a member of the Kidder, Peabody & Co. Investment Banking Group. He received his MBA with high honors from the University of Chicago Booth School of Business and holds a Bachelor of Science in Applied Mathematics and Economics from Brown University. Joel is active in his community with a particular interest in enhancing educational opportunities for children and young adults through a number of charitable organizations.

### **JASON P. KLIEWER** – *MANAGING DIRECTOR*



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Jason Kliewer is a Managing Director and Head of Baird's Distribution Investment Banking team. Jason joined Baird in 1998 and has advised many of the most successful leadership teams, financial sponsors, public, and private companies in the distribution sector. Jason has extensive M&A and capital markets experience working globally with distribution clients across diverse end markets. Jason received an MBA from the University of Cambridge, where he was a Gates Cambridge Scholar, and graduated with a BS degree in Finance, with highest honors, from the University of Florida.

## Baird's Flow, Motion and Power Technologies Team

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### **THOMAS FETZER** – *MANAGING DIRECTOR, HEAD OF DACH INVESTMENT BANKING*



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Thomas Fetzer joined Baird in 2015. Over the last 20 years he has advised international corporations and private equity clients on M&A and financing transactions valued at more than \$50 billion across various sectors and geographies. Prior to joining Baird, Thomas was European Head of Industrials at Jefferies and a Managing Director in the Global Industrial Group at UBS. Before that he was a Principal at Greenhill & Co, helping to establish their M&A advisory business in Germany. He started his career at Merrill Lynch in London. Thomas graduated from ESB Reutlingen and Middlesex University with a double BA in Business Administration and received an MBA from the Harvard Business School.

### **SATOSHI MATSUMOTO** – *MANAGING DIRECTOR, DIRECTOR OF JAPAN M&A*



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Satoshi Matsumoto is a Managing Director and Director of Japan M&A. In his role, Satoshi leads the firm's cross-border M&A origination and execution efforts involving Japanese companies, working across all of Baird's industry groups and geographies. During his career, Satoshi has successfully completed 50+ M&A transactions totaling over \$20 billion in value, the vast majority of which are cross-border deals involving Japanese companies. Prior to joining Baird in 2012, Satoshi was a Managing Director at Barclays Capital. Prior to joining Barclays in 2009, he was a Managing Director at Nomura Securities, which had acquired Lehman Brothers' former Asian & European operations. Prior to Nomura, Satoshi spent 11 years at Lehman Brothers in Tokyo and New York. Prior to joining Lehman Brothers in 1997, Satoshi worked at Long-Term Credit Bank of Japan. Satoshi has a BA in Economics from Keio University, Tokyo.

### **KEVIN ZHOU** – *DIRECTOR, HEAD OF CHINA INVESTMENT BANKING*



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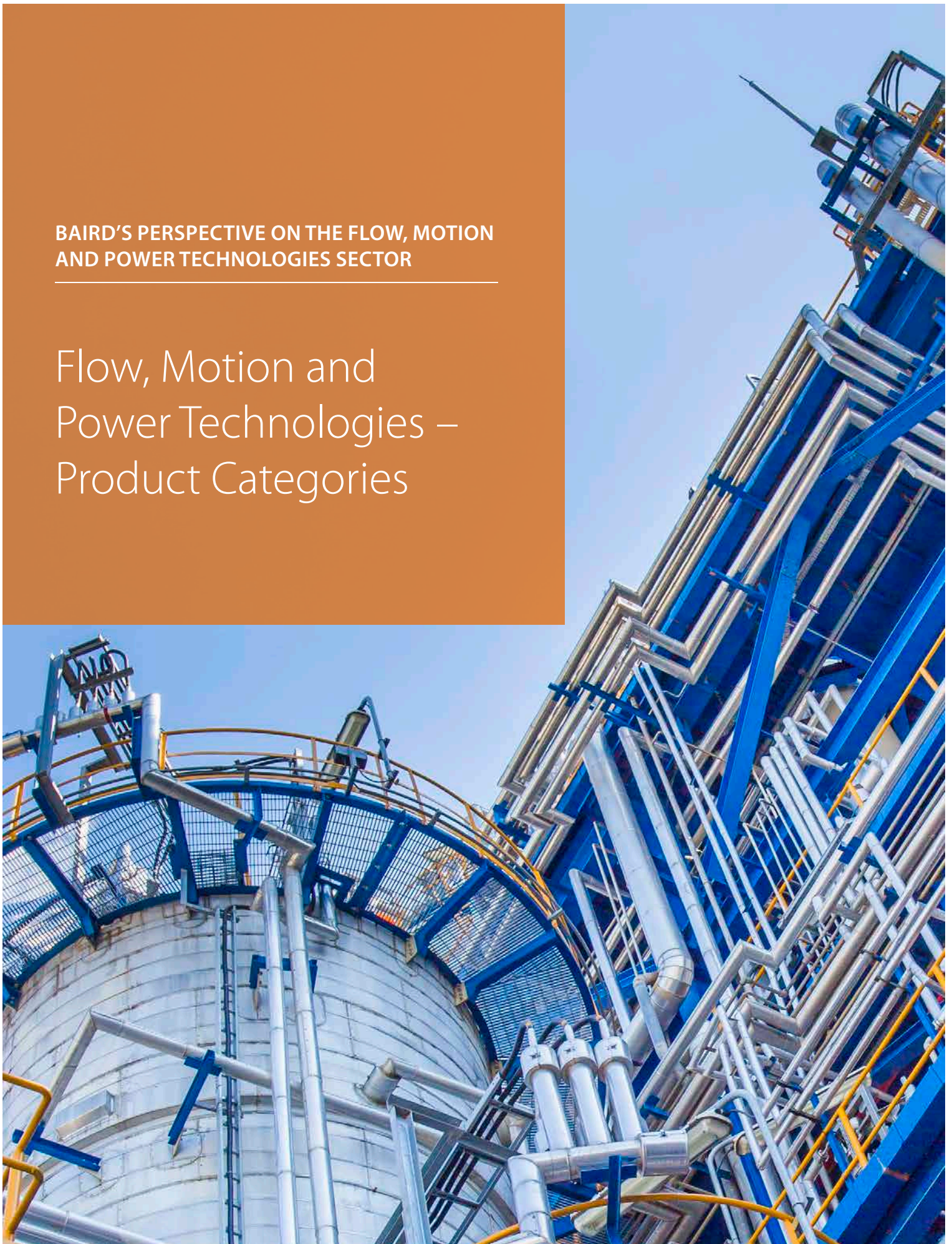
Kevin joined Baird in 2010 and is a Director in Baird's China Investment Banking Team. He leads the firm's M&A origination and execution efforts involving Chinese companies, and manages key sponsor and corporate relationships in the Greater China area. Kevin has over 14 years of cross-border M&A experience, and has advised transactions across a range of industry sectors, including industrial manufacturing, business services, healthcare, and consumer retail. Prior to joining Baird, Kevin spent four years at PricewaterhouseCoopers where he provided transaction advisory services to international sponsor and corporate clients who were looking to make investments in China. Kevin received a BA in Finance from Fudan University. He is also a Chartered Financial Analyst (CFA) holder.



BAIRD'S PERSPECTIVE ON THE FLOW, MOTION  
AND POWER TECHNOLOGIES SECTOR

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# Flow, Motion and Power Technologies – Product Categories

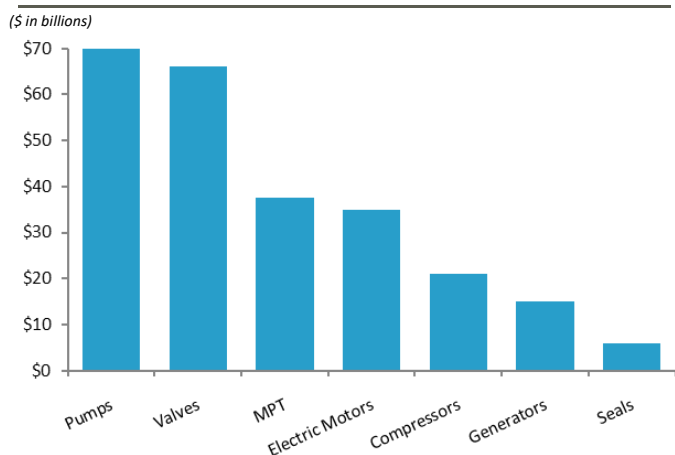


# Flow, Motion and Power Technologies – Product Categories

## Sector Overview

The global Flow, Motion and Power Technologies industry generates \$200+ billion in annual revenue, with the potential for sustained growth averaging in the low to mid-single-digits in a normalized economic environment. Many thousands of FMPT companies design and manufacture devices that move, control, and measure substances flowing through various stages of production. Such devices include valves, pumps, compressors, seals, electric motors, generators, mechanical power transmission (MPT) and motion control products, and hydraulic components. FMPT devices are most often used as critical components in the production processes of oil & gas, chemical, industrial, building and construction, power, water, and pharmaceutical companies.

## Market Size of FMPT Segments



Source: McIlvaine and Robert W. Baird & Co. estimates.

The FMPT sector is best described as consisting of cyclical growth companies, or “growth cyclicals.” Following the strong rebound for earnings from the negative impact of COVID in 2020, secular forces should drive higher long-term profits. Investors / acquirors are attracted by:

- Secular growth forces in water / wastewater, oil & gas, power generation, and emerging markets (e.g., Asia, Latin America) – all driving demand above global GDP growth.
- Powerful cyclical growth during periods when global economic recoveries drive extended cycles of GDP growth.
- The combination of cyclical and secular growth, enabling the sector to generally outperform the broader markets.
- The critical nature of the relatively lower-priced products within high-value systems, driving consistent demand for replacement products.

## Profile of Leading Companies

Companies compete based on product quality, customer relationships, innovation, brand recognition, service capabilities, distribution networks, and price. High-quality companies with strong competitive positions can produce low-double-digit secular earnings growth via 3-5% internal sales growth, complementary acquisitions, 25-40% contribution margins on incremental revenue, and redeployment of excess cash flow into debt repayment and share repurchases. Firms that concentrate efforts in emerging markets should surpass industry growth.

For premier companies, innovation in terms of new products and applications is fueled by consistent investment in R&D. Offering products with leading technology enables pricing power, which is especially important when input costs influence pricing. The ability to manufacture highly-engineered products essential to customer uptime is an important barrier to entry in the FMPT sector. Given the shortage of skilled labor in emerging markets, companies featuring products that promote energy efficiency and process automation should outperform peers.

Leading FMPT businesses have cultivated strong sales channel relationships. Products are sold to industrial distributors, general contractors, engineering and construction firms, original equipment manufacturers (OEMs), and directly to end users. Products with key trade names often achieve exclusive distribution arrangements. A combination of effective sales efforts, distribution, and market positioning can provide good visibility into revenue via orders and backlogs, facilitating efficient operations.

The aftermarket for replacement products, spare parts, and service has gained significance. In some categories, spending on aftermarket products and services surpasses the initial outlay. Based on disclosed sales mix data from a variety of FMPT companies, we estimate that sales for aftermarket, replacement, and recurring purposes represent nearly half of the group’s overall revenue. Companies with robust aftermarket parts and service capabilities leverage the installed base by generating incremental revenue (typically at higher margins than on core products), strengthening customer ties, and increasing switching costs. For example, Flowserve has greatly expanded its service capacity as a means of adding highly profitable revenue while securing market share in its businesses.

Successful companies typically have progressed on initiatives such as facility rationalizations, product technology enhancements, cost structure reductions, IT systems implementations, globalization, supply-chain efficiency programs, and integration of major acquisitions. Many companies have incorporated automation into their manufacturing processes to raise margins and cash flow via enhanced efficiency and productivity. Well-managed firms are positioned to capitalize on M&A opportunities due to operational capacity and balance sheet strength.



# Flow, Motion and Power Technologies – Product Categories

## VALVES

Valves represent a large portion of the sector, with recent annual sales of about \$65 billion for industrial valves on a global basis. The market for valves is slightly larger than the pump market (which is detailed on the following page), primarily due to the presence of multiple valves within a process for each pump. 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.

Over the long term, growth in the valve market is estimated at 3-5% per year. Market research firm Mcllvaine projects the global market for industrial valves to reach \$88 billion by 2025.

The valve market is relatively mature, with trends largely tied to economic conditions. Recent growth in the U.S. has been slower than the pace of overall market activity, due in part to the migration of process industries to overseas markets.

Growth drivers for the global valve market:

- Infrastructure improvements, including in the power and water / wastewater industries as well as in the oil & gas and chemicals end markets.
- Within the key oil & gas end market, extraction by hydraulic fracturing (where activity is projected to grow over the next several years), which requires more valves and technologically advanced valves due to the large amount of water and chemicals used in this activity.
- Higher prices on new and replacement valves with the latest technology.
- As a leading indicator, pump orders typically lead valve orders by 8-12 months.

### Primary End Markets for Valves

Oil & gas	Water / wastewater
Chemicals	Pulp / paper
Power generation	General industrial

Key trends and issues in the global valve market:

- Technology developments feature smart valves with electronic content as well as remote monitoring (e.g., Internet of Things), reporting, and control elements.
- Valve manufacturers are also focusing on technology related to smaller, lighter valves and actuators.
- Upfront costs are higher for valves with automatic controls, but maintenance and replacement costs are lower, often resulting in a favorable return on investment for buyers.
- Factors that benefit a manufacturer's competitive position include the ability to offer a wide range of valve types (e.g., ball, plug, etc.), the availability of engineered valves with high levels of electronic content, and on-site service capabilities.
- Producers of commoditized valves must adapt to low-cost competitors in developing nations. Large companies typically need to have manufacturing in low-cost regions to compete successfully.

### Leading Competitors in Global Valve Market



The top 50 companies represent about 40% of the market, including 15% for the top five, suggesting substantial fragmentation and remaining market share expansion opportunities for leading players. Mcllvaine has estimated that 16,000 companies participate in the worldwide valve market, with this number projected to shrink over the next two decades as industry leaders consolidate the sector.

# Flow, Motion and Power Technologies – Product Categories

## PUMPS

The size of the industrial pump market is estimated at about \$70 billion worldwide. Pumps control liquids, gases, and slurries flowing through a process by various means, including mechanical action and kinetic energy. Large segments of the market include positive displacement pumps (for more viscous, lower flow, precise fluid transfer rates) and centrifugal pumps (for larger volumes). Transferring extremely viscous fluids, such as heavy crude oil, requires highly-engineered pumps.

The growth profile of the pumps market is projected by Mcllvaine Company at 3-4% on a normalized basis, with lower growth during cyclical downturns or in periods of depressed oil prices. Arizton Advisory & Intelligence forecasts 4% growth in the global pump market through 2028, citing strong demand for energy-efficient pumps.

Over the near term, growth will be sensitive to trends in industrial activity and in primary end markets. By region, the U.S. market is most mature, while China, Southeast Asia, Latin America, and Africa offer the greatest opportunity due to the substantial need for infrastructure construction and improvements in the water / wastewater and power generation end markets.

Growth drivers for the global pump market:

- Infrastructure installations and improvements, especially in developing regions.
- End markets that should benefit from long-term infrastructure build-out in higher-growth countries include oil & gas, water / wastewater, power generation, and chemicals.
- Production of oil and gas through fracking drives sales of pumps designed for high-pressure applications.
- Development of fuel filling station infrastructure in emerging markets, where rising standards of living are leading to increased ownership of motor vehicles.

### Primary End Markets for Pumps

Oil & gas	Water / wastewater
Chemicals	Power generation
Mining	General industrial

Key trends and issues in the global pump market:

- Aftermarket costs – including replacements, seals, energy, and services – are about 90% of the total cost of operating a pump.
- Current pump designs incorporate increased operating and energy efficiency, often resulting in higher upfront expenditures while lowering lifecycle costs via reduced maintenance and energy usage.
- Environmental regulations should spur demand for highly efficient fluid handling pumps.
- Electronics are increasingly being integrated to improve the operation, maintenance, and control of pumps.
- Critical factors in customer wins and stable performance include global distribution capabilities and aftermarket service contracts.
- A primary barrier to entry is securing distribution, as distributors are attracted to comprehensive product lines with a large installed base.

### Leading Competitors in Global Pump Market



The top 10 companies account for about 40% of the pumps market. The balance of the category is highly fragmented and niche oriented. On a global basis, the estimated number of companies manufacturing pumps exceeds 10,000, including about 1,000 solely dedicated to fluid handling pumps.

# Flow, Motion and Power Technologies – Product Categories

## ELECTRIC MOTORS

The industrial electric motors market produces an estimated \$30+ billion in annual global sales. Electric motors convert electricity into mechanical energy, thereby powering devices used (among various purposes) to control processes. Common applications for electric motors include air movement (HVAC and compressors) and fluid movement (pumps, woodworking, commercial laundry, process industries). Motors range in size from under one HP to more than 1,000 HP. The three primary segments of the electric motor market are commercial, industrial, and appliances:

- Commercial motors are smaller devices powered by alternating current (AC). Applications include HVAC units, fans, and residential water pumps.
- Industrial motors are highly-engineered, larger devices powered by direct current (DC), generally for heavy-duty applications such as oil & gas, water / wastewater treatment, power generation, and manufacturing equipment.
- Appliance motors are used in household appliances such as refrigerators and washing machines.

Growth in the electric motor category will be influenced by trends in key end markets as well as category-specific factors, suggesting potential for low-to-mid-single-digit growth on average over the long term.

Growth drivers for the global electric motor market:

- In the U.S., the 2007 Energy Bill mandated a shift to higher-efficiency industrial motors by year-end 2010. Since then, motors have faced rising efficiency benchmarks, including updated standards effective in 2016. The required push toward energy efficiency has been a catalyst for the sale of high-efficiency motors, which command a 15-30% price premium. High-efficiency motor sales are growing rapidly as manufacturers adapt usage to new applications.
- Further updates to energy efficiency standards for small motors sold in the U.S. and other markets are anticipated over the next few years.
- In the European Union, regulations required new motors to achieve minimum efficiency standards in three stages (from June 2011 to January 2017), with higher standards for motors not fitted with a variable speed drive.
- The payback time for an energy-efficient motor installation can be less than one year due to substantial energy cost savings, with the initial investment amounting to 2% of total lifecycle costs.

### Primary End Markets for Electric Motors

Oil & gas	Metals / mining
Industrial machinery	Packaging
Medical devices	Textiles
Residential / commercial	

Key trends and issues in the global electric motor market:

- Globalization of production, including the movement to lower-cost regions.
- A focus on energy efficiency is driving requirements related to motors. Of the lifetime cost of a motor, 97% is the energy / electricity cost to run the motor. Electric motors account for about 40% of global electricity consumption. Therefore, more efficient motors will reduce costs and alleviate energy supply issues.
- Embedded intelligence allows more precise utilization of the energy output of electric motors and also enables preventive monitoring of motors while in use. Several industry participants manufacture motors with embedded computers that govern and / or monitor the performance and operation of the motors.
- Leading competitors are implementing alternative materials and designs to make motors more efficient, smaller, quieter, more durable, and lighter. Examples of such advancements include the use of aluminum versus copper wire, explosion-proof and washdown motors, new lamination technologies, and switched reluctance experimentation.
- Copper and steel prices, which historically have been volatile, heavily influence electric motor pricing and profitability.

### Leading Electric Motor Competitors



The motor industry is highly competitive and fragmented, as the top 10 companies account for about one-third of the electric motor category. This group excludes automotive motors, a large sub-segment of the global motors category.

# Flow, Motion and Power Technologies – Product Categories

## COMPRESSORS

The market for industrial compressors is estimated by Frost & Sullivan at \$21 billion. Compressors reduce the volume of a gas to increase the gas pressure and to transport the compressed gas through a pipe. Applications include atmospheric air and process gases. Compressor types include centrifugal, rotary, and reciprocating.

The global compressor market is expected to grow 3-4% annually through 2027 (according to TechNavio). Growth drivers for the compressor market:

- New products that increase energy efficiency and lower service requirements (e.g., variable speed drive compressors cut energy consumption by 35%) to reduce lifecycle costs and mitigate environmental concerns.
- Growth in the number of wastewater treatment plants, which require compressors for several purposes.
- Aftermarket service and replacement products becoming a larger contributor for top competitors.
- Engineered compressor packages for oil & gas pipeline and refinery operations.

### Primary End Markets for Compressors

Oil & gas	Power generation
Transportation	Metals / mining
General industrial	Food and beverage

Key issues and trends in the compressor market:

- Selection criteria: energy usage, operating / maintenance costs, initial capital costs, and service capabilities.
- Due to superior energy efficiency, rotary compressors are expected to replace reciprocating models in some segments.
- Technology development to address CO2 emissions.
- Recent energy-efficiency regulations in the U.S., China, and Europe.

### Leading Compressor Competitors



The global compressor market is concentrated, with the top five participants representing the majority of sales in some segments.

## GENERATORS

The generator market represents \$15+ billion in global sales, with one-third realized in North America. Generators convert kinetic energy into electricity in serving as primary or standby power sources. Generators for industrial and commercial use reduce outage costs by enabling continued operations.

Residential standby generator sales in North America have realized a growth rate in the upper single digits for an extended period due to increasing penetration. Growth drivers for the generator market:

- Low residential market penetration of about 6% for home standby generators.
- Major power interruptions, with power outage severity in 2019-2022 well above the average of 2015-2018.
- Substantial price decreases have resulted in increased affordability and greater adoption.
- The aging population, as consumers over age 50 purchase 70% of residential generators.

### Primary End Markets for Generators

Consumer / residential	Commercial
General industrial	Power generation
Oil & gas	Construction

Key trends and issues in the global generator market:

- Past outages and disruptions in the aging power grid have lifted demand for standby power.
- Construction of large infrastructure often includes the installation of back-up standby generators.
- Natural gas generators are gaining share versus diesel-powered generators.
- More expensive and critical systems driven by electric power, including essential telecommunications systems (e.g., 5G rollout), requiring standby generators to maintain uptime.

### Leading Competitors in Global Generator Market



The industrial and commercial standby generator market is fragmented. Generac has dominant share in the North American residential standby market and a leading share in the portable generator segment.



# Flow, Motion and Power Technologies – Product Categories

## MECHANICAL POWER TRANSMISSION PRODUCTS

The industrial power transmission market is approximately \$75 billion globally. This market includes motors and generators, mechanical power transmission (MPT) products, and adjustable speed drives. In the U.S., MPT represents roughly half of the industrial power transmission market, implying a global market size of \$35-40 billion for MPT products.

MPT products include bearings (leading product type), gears, belt and chain drives, couplings, industrial clutches and brakes, and linear components. MPT products optimize power transmission from a source (e.g., an electric motor) by matching the speed and torque requirements of the application. MPT products mechanically transmit power to applications such as elevators, conveyors, forklifts, well drilling, packaging machinery, and punch presses. MPT products are complementary to motors, providing shaft support and component linking. As such, the MPT market typically tracks the electric motors category, which could expand in the low single-digits annually in the future.

Growth drivers for the global MPT market:

- Products tied to driving energy efficiency should continue to experience increasing demand.
- A sizable percentage of sales are replacement in nature, resulting in higher levels of recurring revenue due to growth in the installed base.

### Primary End Markets for MPT Products

General industrial	Metals / mining
Oil & gas	Forest products
Material handling	Food and beverage

Key trends and issues in the global MPT market:

- Greater usage of energy-efficient motors will lead to opportunities in the related MPT business.
- Direct sales to industrial product OEMs represent a substantial portion of category sales.

### Leading Competitors in MPT Products Market



The MPT category is highly fragmented, with more than 1,000 small manufacturers. In the U.S., the top 10 competitors represent less than 20% of sales.

## SEALS

The global market for seals is estimated to be \$6-10 billion worldwide. Mechanical seals are used to provide sealing for the rotary shafts of pumps (most commonly), compressors, agitators, and mixers. Seals are used in pumping systems to prevent leakage of the process fluid and to block contaminants from mixing with the pumped substance.

Because mechanical seals are used in conjunction with pumps, growth in the seals market is generally aligned with growth in the pumps market, which is expected to be 3-4% per year in a normalized environment.

Growth drivers for the global mechanical seal market:

- Growth is directly tied to the pump market, where drivers include infrastructure investments, oil & gas activity, and increasing end market activity in emerging markets.
- As regulations relating to emissions and safety become stricter, more frequent replacement of worn seals will receive greater focus.
- Projected expansion of the number of liquefied natural gas facilities in developing markets will require advanced sealing technologies.

### Primary End Markets for Mechanical Seals

Oil & gas	Chemicals
Water / wastewater	Power generation

Key trends and issues in the global mechanical seal market:

- Mechanical seals have excellent recurring revenue characteristics, as seals are critical products with a relatively short lifecycle.
- Securing aftermarket business in the mechanical seal segment depends on investment in sales and service personnel as well as service centers near customer locations.
- Mechanical seals represent ~10% of pump lifecycle costs.

### Leading Mechanical Seal Competitors



The portion of the market targeted by FMPT companies – industrial / process control or mechanical seals – is relatively concentrated, as the top five competitors comprise about 70% of the market.

# Flow, Motion and Power Technologies – Product Categories

## HYDRAULIC COMPONENTS

Hydraulic components are used in hydraulic fluid power transfer systems that transfer power from a source (e.g., engine, pump) to an actuator that performs a physical task (opening, closing, lifting). Hydraulic systems use pressurized fluids (usually oil) to transfer and control a large amount of power efficiently.

Examples of hydraulic components include hydraulic couplings, cartridges, manifolds, and accumulators. A hydraulic coupling is a hydrodynamic device used to transmit rotating mechanical power. A hydraulic accumulator stores fluid under pressure to serve various functions within a hydraulic system.

Hydraulic components are critical to many fluid power applications. Hydraulic component solutions can be used in machinery acting as one central power source servicing multiple applications, such as agriculture and construction. In addition, many hydraulic components are tailored for specific applications.

Growth drivers in the hydraulic components market:

- Hydraulic systems are used extensively in many industries with attractive secular or cyclical growth characteristics, including agriculture, construction, mining, oil & gas, industrial, manufacturing, transportation, military operations, and healthcare.
- The key agriculture and construction end markets underpin several additional drivers for the hydraulic component solutions market. Demand for hydraulic components could outpace underlying end-market growth due to:
  - Increasing penetration of hydraulic power systems.
  - Rising demand for multi-purpose machines that use a greater number of hydraulic components.
  - Growing aftermarket demand.
- Increasing mechanization of industrial equipment enhances the demand for more sophisticated hydraulic component solutions.

### Primary End Markets for Hydraulic Components

Agriculture	Construction
Oil & gas	HVAC / refrigeration
General industrial	Steel / die-casting
Material handling	

Key trends and issues in this market:

- Direct sales to industrial OEMs represent a major portion of category revenue. Hydraulic components must also meet the aftermarket needs of end users.
- Hydraulic components are mission-critical in industries such as agriculture and construction, where attachments (connected via components) perform core equipment functions. Hydraulic components enable rapid connection / disconnection of attachments, reducing equipment downtime.
- The cost of hydraulic components is low relative to the cost of the machines using the components. As a result, OEM customers focus on performance, reliability, and delivery capabilities rather than cost.
- Newer market entrants face high barriers in competing with existing leaders, which typically have strong relationships with key global OEM customers plus extensive technology capabilities generated via substantial R&D investments.
- Hydraulic component manufacturers can strengthen ties with OEM customers by integrating into their supply chains and partnering on product development.
- Aftermarket demand is fueled by an expanding stock of industrial equipment that requires regular replacement of hydraulic components.
- Aftermarket demand is also driven by shorter lifecycles on hydraulic component solutions for construction equipment due to harsh working environments and frequent utilization through equipment rental companies.
- During industrial cycle upturns, increased utilization of equipment requires expedited replacement of hydraulic components due to accelerated wear.

### Leading Hydraulic Components Competitors



The North American market for hydraulic components is considered consolidated. The European and Asian markets are fragmented, with consolidation potential.

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