



Water, Wastewater & Environmental | Mergers & Acquisitions



2022 Year in Review

M&A in the global water sector enjoyed a strong year in 2022, with over 200 transactions, although this was slightly down from 2021 levels. Overall, strong interest with strategic and financial buyers vying aggressively for companies across all spectrums of water and wastewater sectors including residential, commercial, industrial, and municipal.

Key drivers of water scarcity, concern over water contaminants in drinking water, and tighter discharge standards resulted in exceptionally strong financial performance for many water companies, however, supply chain issues coupled with unexpected inflationary pressures presented a challenge within the municipal sector. Non-municipal sector companies generally were able to pass on price increases, but many were negatively impacted due to supply chain shortages.

Key transactions in 2022 include:

Closed Date	Acquirer(s)	Target(s)	Target Description	EV (\$M)	Enterprise Value / Revenue	EBITDA
1/3/2022	Evoqua	Renal Business of Cantel Medical	Dialysis medical water purification	\$196.3	NA	NA
3/1/2022	DXP Enterprises	Drydon Equipment	Pump, valve and control distributor	\$7.9	NA	NA
3/15/2022	Inland Pipe Rehabilitation	Granite Inliner	Pipeline rehabilitation provider	NA	NA	NA
4/1/2022	Evoqua	Frontier Water Systems	Industrial wastewater treatment	\$32.5	NA	NA
4/4/2022	ITT	Habonim Ind. Valves & Actuators	Valve manufacturer	\$139.9	3.18x	NA
4/5/2022	Lone Star Americas Acquisitions	SPX FLOW	Flow control across industrial and municipal	\$3,797.9	2.48x	20.04x
4/6/2022	PSP Capital Partners	StormTrap	Precast concrete stormwater systems	NA	NA	NA
5/31/2022	The Gorman-Rupp Company	Fuel Transfer Assets of Tuthill	Pump and meter manufacturer	\$526.3	3.99x	15.95x
7/1/2022	Evoqua	Smith Engineering	Wastewater treatment systems	\$18.9	NA	NA
7/1/2022	Zurn Water Solutions	Elkay	Drinking water accessories and treatment	\$1,537.2	NA	NA
7/19/2022	Edgewater Capital	AmeriWater	Dialysis medical water purification	NA	NA	NA
7/28/2022	Pentair	Manitowoc	Manufacturer of ice machines and components	\$1,600.0	5.19x	17.39x
10/3/2022	Ingersoll Rand	Dosatron International	Chemical injector and dilution equipment	\$105.0	NA	NA
10/7/2022	Newterra	H2O Engineering	Water treatment solutions provider	NA	NA	NA
11/3/2022	Culligan	Waterlogic	Drinking water treatment	NA	NA	NA
11/30/2022	Saur	European Mobile Water of Veolia	Mobile water services	\$200.1	NA	NA



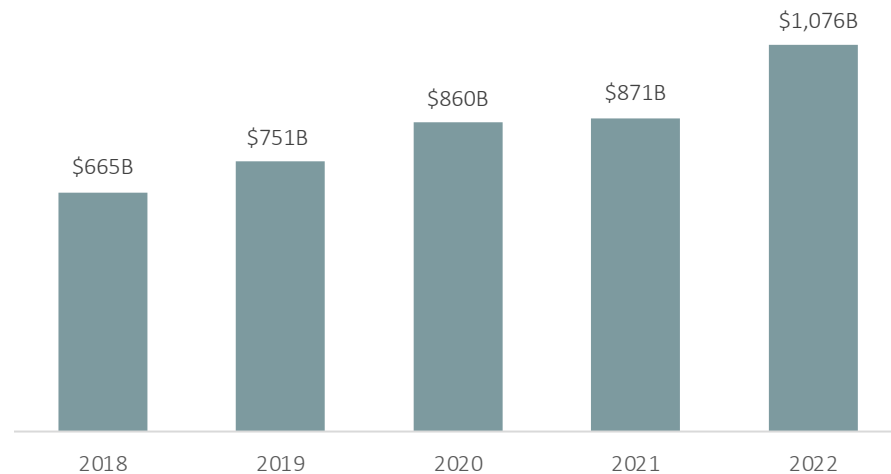
2023 Outlook

There is a favorable outlook in the water/wastewater industry with both strategic and financial buyers in 2023 expressing strong interest in transaction activity despite economic uncertainty and inflationary challenges.

Key investment themes to follow in 2023 include:

- Continued digitization transformation for both industrial and municipal operations
- Water scarcity driving water reuse across all sectors
- Lead service line identification, prioritization, and replacement
- PFAs monitoring, treatment, and destruction
- Membrane technology to provide higher performance, lower cost solutions across industrial applications
- Holistic view of wastewater treatment as resource recovery
- Rising energy prices and insecurity focusing attention on energy efficiency
- Easing supply chain disruptions reducing lead times and inventory

U.S. Based PE's Record-breaking Levels of "Dry Powder"¹



- Private equity's "dry powder" or the amount of capital raised but not yet invested hit historic highs in 2022
- PE firms will look to take advantage of declining multiples by deploying their record-high cash reserves particularly in defensive industries including water
- Given declining exit multiples including an unattractive IPO market, many PE groups are extending their holding period of platform companies, creating new opportunities for "add-on" acquisitions

Source(s): Preqin



ILLUSTRATIVE M&A TRANSACTIONS



June 1, 2022: CECO Environmental acquired Compass Water Solutions, a leading global supplier of membrane-based, industrial water and wastewater treatment systems that help customers achieve regulatory compliance of water discharge at the lowest lifecycle cost. The transaction adds critical engineered solutions and an experienced leadership team to CECO's growing industrial water capabilities. CECO expects the Compass acquisition to unlock greater value by leveraging CECO's international sales resources, existing US Navy expertise, global engineering and production footprint.



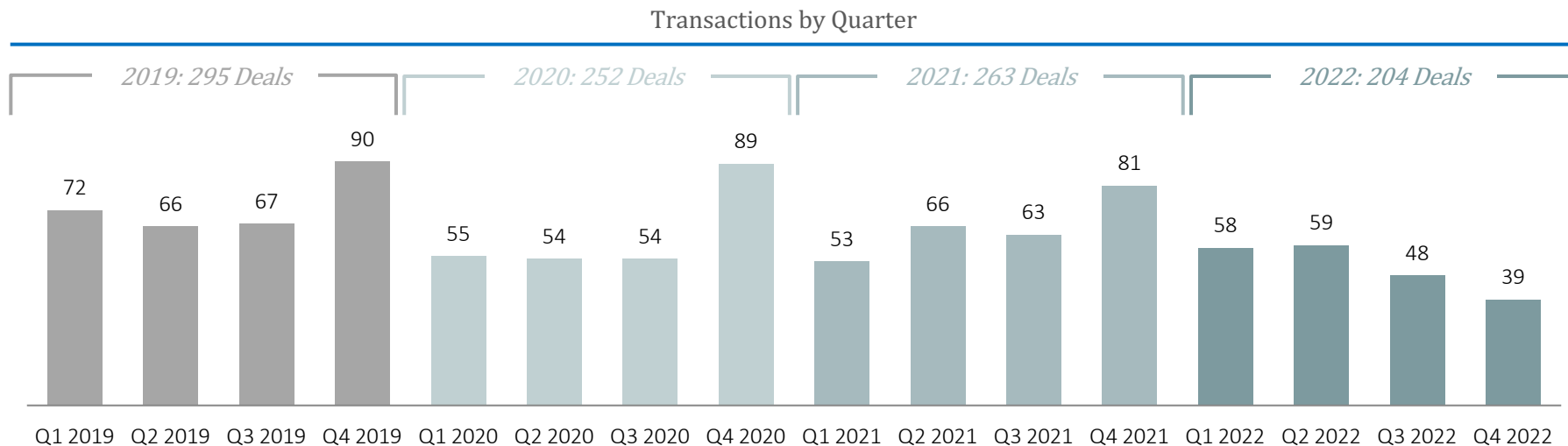
July 8, 2022: Ovivo acquired Wastech Controls & Engineering ("Wastech"), a specialist in turn-key packaged systems for industrial wastewater treatment applications for numerous industrial markets. With over 1,500 installed systems, Wastech has specialized in turn-key packaged systems for industrial wastewater treatment applications for numerous industrial markets. The integration of Wastech will enhance Ovivo's systems offering in the US electronics market, as well as create cross-selling opportunities in other markets through Wastech's well established client base.



November 11, 2022: AquaPhoenix Scientific, a portfolio company of Incline Equity Partners, acquired CHEMetrics, a manufacturer of water analysis test kits and instrumentation using self-filling reagent ampoules for efficiency and safety. CHEMetrics has served the industrial water, petroleum refining, chemical process, food and beverage, power generation and other water treatment industries since 1969. The acquisition of CHEMetrics marks a step in AquaPhoenix's growth strategy of acquiring businesses aligned with its core competencies to help the company best service its customers.



WATER INDUSTRY



Commentary

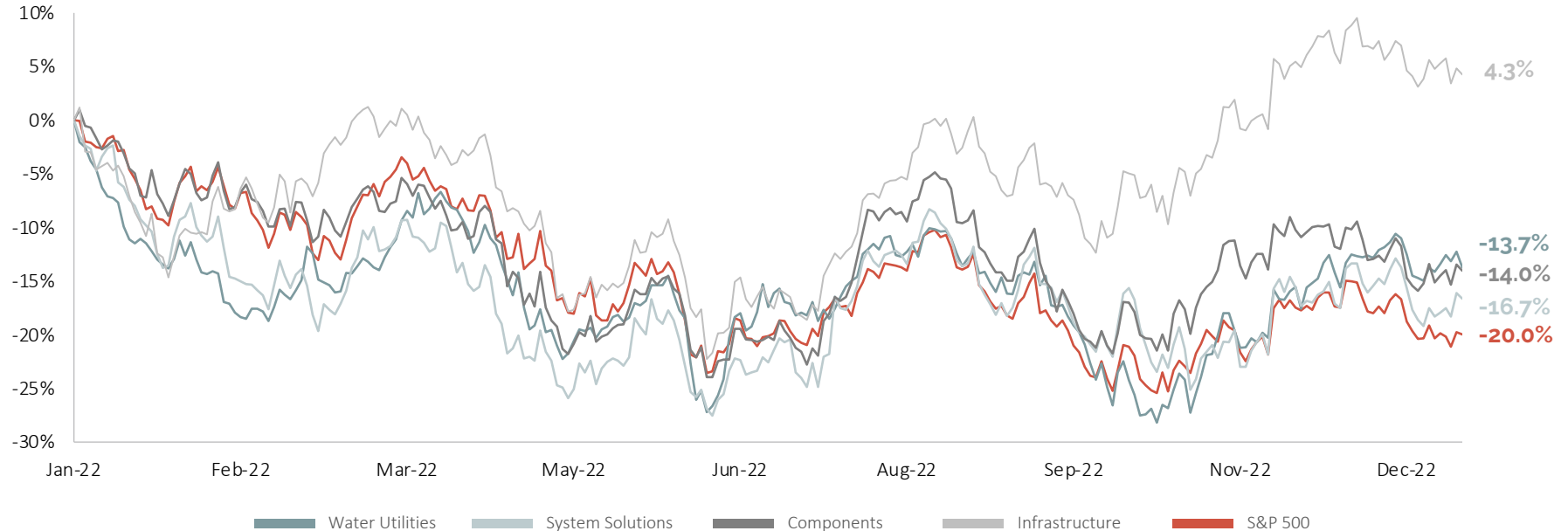
- Higher capital costs due to rising interest rates and recession fears created a diminished M&A appetite for both strategic and financial sponsors, causing a decline in 2022 deal making activity and a missing “Q4 spike” common in the industry
- Despite lower deal volume in 2022, M&A activity is expected to rebound in the water industry in 2023 for a number of reasons including:
 - U.S. Private equity dry powder across all industries exceeded 1 trillion as of December 2022, an almost 25% YoY increase
 - The water industry is considered defensive due to its critical nature, with investors rotating into the industry in times of distress
 - Increasingly higher wastewater standards driving innovation and acquisitions to attain certain capabilities
 - New government funding – Bipartisan Infrastructure Law including \$55 billion allocated to improve drinking water and wastewater infrastructure

Source(s): S&P CapIQ



WATER INDUSTRY

Trailing Twelve Months (TTM) Public Equity Index Chart ¹



Commentary

- TMG's indices have very closely tracked the ups and down of the S&P 500 throughout 2022 while slightly outperforming the benchmark
- The critical nature of the infrastructure industry as well as its reliance on steady government funding is a reason investors largely consider the industry "defensive" and rotate into the sector during times of economic uncertainty
- Rising interest rates and recession fears buoyed the critical infrastructure industry with the most defensive subsectors such as the utilities outperforming the most.

Source(s): S&P CapIQ

1. For index composition see subsequent slides

PUBLIC COMPANY FINANCIAL METRICS



WATER INDUSTRY

	Stock Price 12/31/22	Enterprise Value	2022A			CY2023E			TEV/2022A		TEV/2023E	
			Revenue	EBTIDA	Margin	Revenue	EBITDA	Margin	Revenue	EBITDA	Revenue	EBITDA
Water Utilities												
American Water Works	152.42	39,537.2	3,767.8	2,004.8	53.2%	4,069.7	2,254.6	55.4%	10.49x	19.72x	9.72x	17.54x
Essential Utilities	47.73	19,089.6	2,082.9	1,016.6	48.8%	2,173.1	1,118.3	51.5%	9.17x	18.78x	8.78x	17.07x
California Water Service	60.64	4,368.7	836.5	260.4	31.1%	878.0	296.5	33.8%	5.22x	16.77x	4.98x	14.73x
American States Water	92.55	4,116.8	511.0	187.2	36.6%	527.3	202.5	38.4%	8.06x	21.99x	7.81x	20.33x
SIW	81.19	4,105.7	607.8	237.6	39.1%	630.4	253.4	40.2%	6.75x	17.28x	6.51x	16.20x
Consolidated Water	14.80	185.4	91.9	14.3	15.6%	118.1	21.0	17.8%	2.02x	12.97x	1.57x	8.83x
Global Water Resources	13.28	414.4	44.4	22.2	50.0%	49.5	23.0	46.5%	9.33x	18.66x	8.37x	18.02x
Average	\$66.09	\$10,259.7	\$1,134.6	\$534.7	39.2%	\$1,206.6	\$595.6	40.5%	7.29x	18.02x	6.82x	16.10x
System Solutions												
Danaher	265.42	209,988.9	30,805.8	10,608.4	34.4%	30,721.2	10,550.5	34.3%	6.82x	19.79x	6.84x	19.90x
Dover	135.41	22,330.8	8,489.1	1,770.8	20.9%	8,598.4	1,850.2	21.5%	2.63x	12.61x	2.60x	12.07x
Xylem	110.57	21,174.1	5,424.2	905.9	16.7%	5,638.5	1,001.3	17.8%	3.90x	23.37x	3.76x	21.15x
IDEX	228.33	17,793.8	3,129.6	876.7	28.0%	3,336.0	927.4	27.8%	5.69x	20.30x	5.33x	19.19x
Pentair	44.98	9,757.3	4,113.6	816.3	19.8%	4,199.7	856.7	20.4%	2.37x	11.95x	2.32x	11.39x
A. O. Smith	57.24	8,648.5	3,750.8	718.4	19.2%	3,714.4	737.5	19.9%	2.31x	12.04x	2.33x	11.73x
Watts Water Technologies	146.23	4,828.4	1,966.1	364.8	18.6%	1,963.5	353.2	18.0%	2.46x	13.23x	2.46x	13.67x
Average	\$141.17	\$42,074.5	\$8,280.5	\$2,313.3	22.7%	\$8,727.7	\$2,489.4	23.2%	3.68x	15.84x	3.55x	14.97x

Source(s): S&P CapIQ
\$USD, Millions besides Stock Price

PUBLIC COMPANY FINANCIAL METRICS



WATER INDUSTRY

	Stock Price 12/31/22	Enterprise Value	2022A			CY2023E			TEV/2022A		TEV/2023E	
			Revenue	EBTIDA	Margin	Revenue	EBITDA	Margin	Revenue	EBITDA	Revenue	EBITDA
Components												
Graco	67.26	11,069.4	2,144.4	634.5	29.6%	2,197.0	659.8	30.0%	5.16x	17.44x	5.04x	16.78x
Flowserve	30.68	5,158.8	3,572.8	293.5	8.2%	3,902.9	433.5	11.1%	1.44x	17.58x	1.32x	11.90x
Franklin Electric	79.75	3,973.9	2,037.9	311.0	15.3%	2,058.4	308.9	15.0%	1.95x	12.78x	1.93x	12.86x
Mueller Water Products	10.76	2,007.9	1,264.8	185.3	14.6%	1,335.9	218.3	16.3%	1.59x	10.84x	1.50x	9.20x
The Gorman-Rupp	25.62	1,087.1	520.2	71.7	13.8%	617.0	98.0	15.9%	2.09x	15.16x	1.76x	11.09x
Energy Recovery	20.49	1,076.1	124.2	27.9	22.5%	137.4	24.6	17.9%	8.67x	38.60x	7.83x	43.81x
Average	\$39.09	\$4,062.2	\$1,610.7	\$254.0	17.3%	\$1,708.1	\$290.5	17.7%	3.48x	18.73x	3.23x	17.61x
Infrastructure												
AECOM	84.93	13,678.3	13,259.0	915.9	6.9%	14,166.9	988.6	7.0%	1.03x	14.93x	0.97x	13.84x
Tetra Tech	145.19	7,979.6	2,874.0	366.2	12.7%	3,087.1	405.6	13.1%	2.78x	21.79x	2.58x	19.67x
Clean Harbors	114.12	8,425.5	5,133.1	1,017.0	19.8%	5,241.6	1,014.4	19.4%	1.64x	8.28x	1.61x	8.31x
EMCOR Group	148.11	7,368.0	10,994.3	653.0	5.9%	11,728.2	729.5	6.2%	0.67x	11.28x	0.63x	10.10x
Arcosa	54.34	3,258.3	2,220.2	325.6	14.7%	2,154.6	305.1	14.2%	1.47x	10.01x	1.51x	10.68x
Primoris Services Corporation	21.94	2,417.0	4,416.1	283.7	6.4%	5,244.7	361.2	6.9%	0.55x	8.52x	0.46x	6.69x
Average	\$94.77	\$7,187.8	\$6,482.8	\$593.6	11.1%	\$6,937.2	\$634.1	11.1%	1.36x	12.47x	1.29x	11.55x
Low	\$10.76	\$185.4	\$44.4	\$14.3	5.9%	\$49.5	\$21.0	6.2%	0.55x	8.28x	0.46x	6.69x
Mean	\$86.69	\$16,686.1	\$4,404.6	\$963.3	23.3%	\$4,674.4	\$1,046.2	23.8%	4.07x	16.29x	3.82x	15.04x
Median	\$73.51	\$6,263.4	\$2,547.1	\$365.5	19.8%	\$2,703.7	\$419.5	18.7%	2.53x	15.97x	2.48x	13.75x
High	\$265.42	\$209,988.9	\$30,721.2	\$10,550.5	53.2%	\$33,031.1	\$11,464.6	55.4%	10.49x	38.60x	9.72x	43.81x

Source(s): S&P CapIQ
\$USD, Millions besides Stock Price



MEET WITH AN EXPERT AT ANY OF THE UPCOMING SHOWS OR EVENTS

	Event	Date
	WWETT 2023 – Indianapolis, IN	Feb 20 – 23, 2023
	WQA 2023– Las Vegas, NV	Apr 18 – 20, 2023
	ACE 2023 – Toronto, Canada	Jun 11 - 14, 2023
	WEFTEC 2023 – Chicago, IL	Oct 2 - 4, 2023
	StormCon 2023 – Dallas, TX	Aug 29 - 31, 2023
	Aquatech Amsterdam 2023	Nov 6 - 9, 2023
	NGWA 2023 – Las Vegas, NV	Dec 5 - 7, 2023

Schedule a Meeting Today!

To meet, please contact Mark Bertler, Managing Director at 847 226-0793 or mbertler@mcleanllc.com



FIRM OVERVIEW

- Founded in 1997 and headquartered in Northern VA; 26-year history of transaction success
- Firm is comprised of 30+ financial professionals, including career investment bankers, CPAs, certified business valuation professionals, and former industry executives
- Over 140 transactions completed since 2010
- Financial advisory and growth capital groups strategically focused on: Water Wastewater & Environmental; Defense & Government Services; and Security Services
- Focus on the lower middle market with a dedicated team focused on the Water Wastewater & Environmental markets
- Over 300 business valuations annually across all industries

INDUSTRY VERTICALS

WATER WASTEWATER & ENVIRONMENTAL

SECURITY SERVICES

DEFENSE & GOVERNMENT SERVICES

CORE BUSINESS

Investment Banking

Strategic Advisory Services

*Sell-Side M&A
Buy-Side M&A
Debt / Equity Placements
Special Situations
Valuations and Opinions
Other Advisory Services*

Business Valuation

Valuations and Opinions

*"Fair Value" Financial Reporting
Equity Incentive Plans
Fairness Opinions
PEG Portfolio Valuations
ESOP Transactions
Estate and Gift*

Growth Capital

Capital Infusion

Selectively provide growth capital to clients pursuing inorganic growth initiatives

KEY STATISTICS

140+

Closed Transactions Since 2010

> 300

Annual Valuation Clients

26

26-Year Track Record of Success

> \$4B

Total Transaction Value Since 2010

CONTACT DETAILS



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