

A close-up photograph of a large industrial valve with a prominent black handwheel. The valve body is painted blue, and the background shows other industrial equipment in a slightly blurred setting.

## PIPE, VALVE & FITTINGS

Update | Q3 2022



# VICTORY PARTNERS

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## TABLE OF CONTENTS

- ▶ Industry Outlook
- ▶ M&A Overview
- ▶ Segment Highlight
- ▶ Victory Partners Group
- ▶ Firm Mantra
- ▶ Firm Track Record
- ▶ Citations

## INDUSTRY DEFINITION

Operators in the Pipe, Valve and Fittings (PVF) industry manufacture a variety of industrial and fluid power (e.g. hydraulics and pneumatic) valves, hose fittings and the associated trimming made from metal. The industry also includes miscellaneous and general-purpose flow control devices composed of metal, such as faucets, flash valves and showerheads.

## INDUSTRY OUTLOOK

Piping systems are a vital component in a wide range of manufacturing processes, so demand for industry products is linked to general manufacturing and industrial production levels. While industry revenue is tied to several different sectors of the economy, the industry is susceptible to macroeconomic conditions. However, since the 2020 coronavirus pandemic, as the domestic economy has reopened and construction activity rebounds, revenue has begun to experience revitalized growth, projected to increase 5.6% in 2022 alone. Overall, industry revenue is expected to increase at an annualized rate of 3.9% to \$42.2 billion over the five years to 2022.

The industry has since experienced a resurgence due to a rebounding economy, delayed construction and backlogged projects coming to fruition, as well as recent surges in the price of oil.

The new residential construction requires products from the industry's plumbing fixture fittings and trim (PFFT) segment, Americans will likely replace their existing plumbing fixtures with more efficient models, driving demand for water-efficient valves. The industry's PFFT product segment will likely continue to encounter intense competition from low-cost imports, particularly from China and Mexico.

As the sewage and waterway systems in the United States age, demand for valves is anticipated to increase, with population growth straining current water systems and pressuring local, state and federal governments to act. The Biden administration has also stated that infrastructure will be a top-priority and we could see all these initiatives greatly benefitting the valve and fitting manufacturers over the coming years.

In contrast, unconventional oil, such as oil shale, extraction and refining will likely remain a key market for specialized valves, but demand is dictated by the volatility of the price oil and governmental policies.

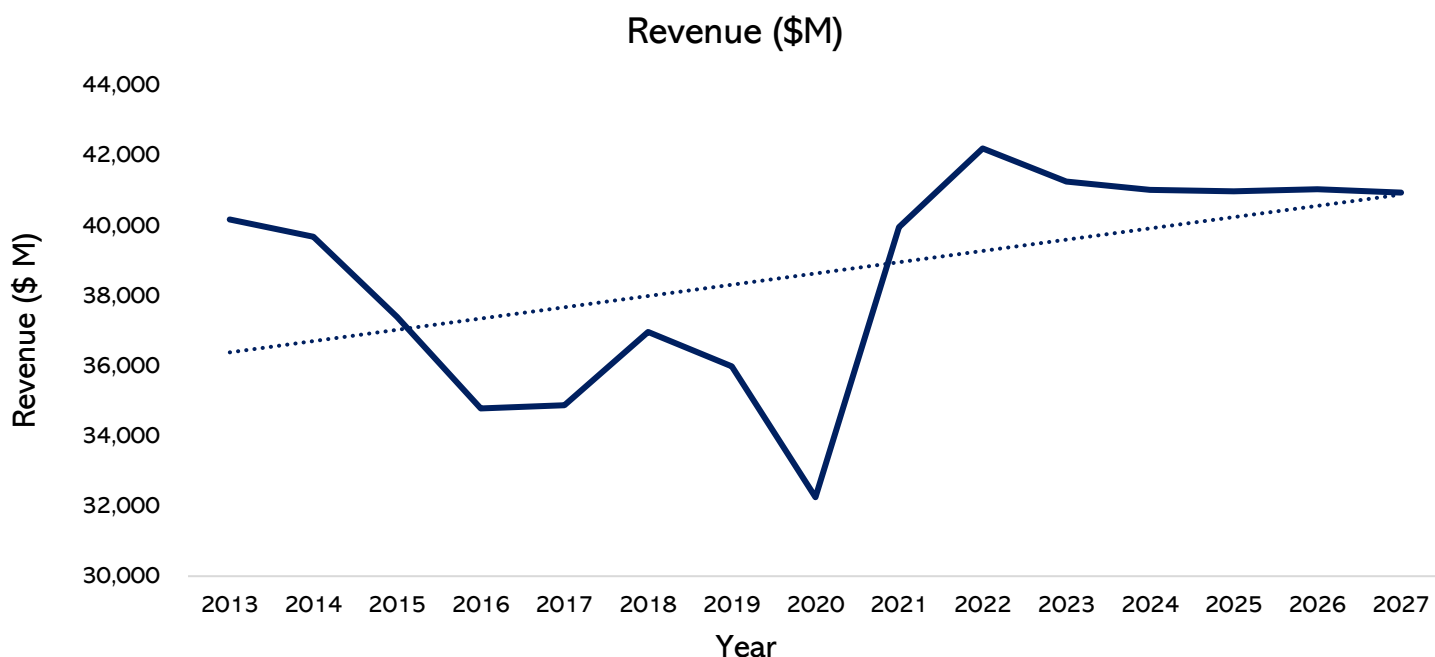
There are several factors that may hinder industry performance and as the pent-up demand from the slowdowns caused by the coronavirus pandemic wanes, demand is expected to normalize. It is expected that the industry revenue will slightly decrease an annualized 0.6% to \$40.9 billion over the five years to 2027.



## M&A OVERVIEW

According to Refinitiv's 2021 Q1 Global Mergers & Acquisitions Review, the industrials sector was responsible for 13% of total Global M&A Activity. In Q1 of 2021, Refinitiv tallied a total of 1624 global industrials sector deals totaling \$177B in deal value. This represents a slight increase from the 1440 global deals worth \$149 Billion in Q1 of last year.

PwC expects 2021 Manufacturing M&A to recover from sector lows seen throughout 2020. While the recent economic momentum bodes well for the entire sector, we expect 2021 to be a healthy and robust year especially for Lower Middle Market Manufacturing M&A. The M&A Source and International Business Brokers Association's most recent "Market Pulse Report", showcased a variety of stellar Q1 metrics which have given advisors an optimistic outlook for Lower Middle Market activity.

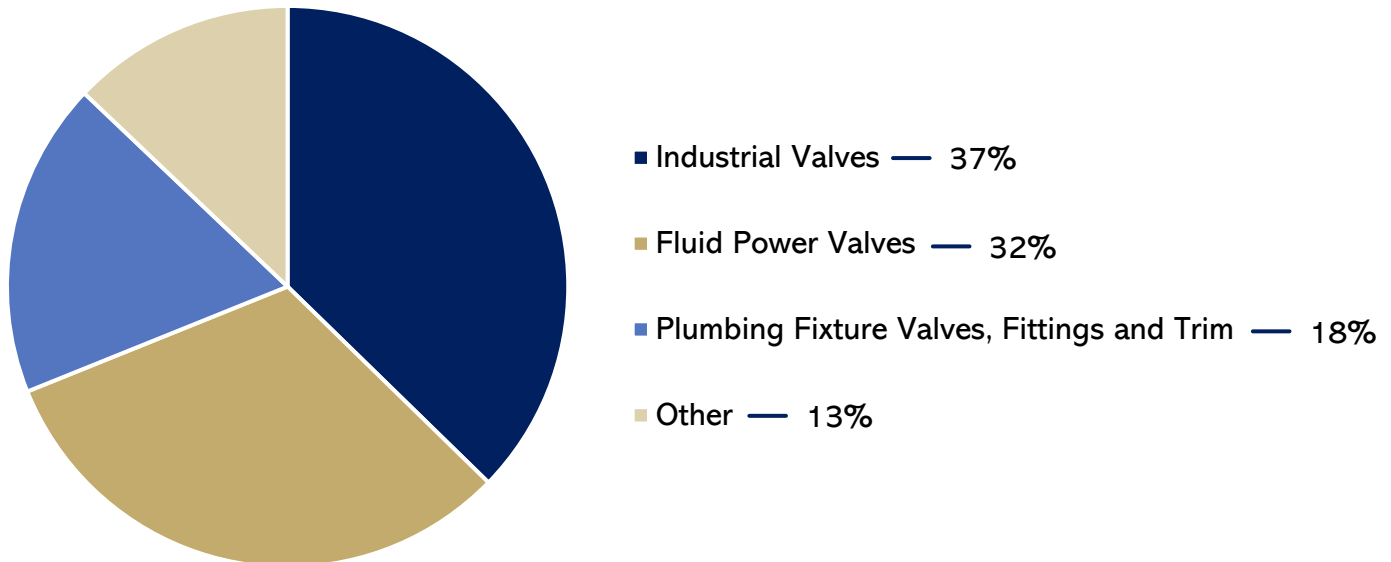


Acquirer	Target	Closing Date	Deal Type	Deal Value
Olympic Steel	Shaw Stainless & Allow	Oct. 1 <sup>st</sup> , 2021	M&A	\$ 12.10M
Harbor Group	Stainless Hose Fittings	Jan. 31 <sup>st</sup> , 2020	Buyout/LBO	Undisclosed
The Macomb Group	Richburg	Dec. 6 <sup>th</sup> , 2019	M&A	Undisclosed
Center Rock Capital Partners	American Piping Products	Jul. 1 <sup>st</sup> , 2019	PE Growth/Expansion	\$ 3.19M
The Macomb Group	Mid-American Fittings	Feb. 28 <sup>th</sup> , 2019	M&A	Undisclosed



## SEGMENT HIGHLIGHT

### REVENUE CONTRIBUTION



### INDUSTRIAL VALVES

This segment is generally categorized according to valves' shape and intended function. Industrial valves are used across a wide range of industries, such as petroleum refining and distribution, chemical manufacturing and municipal water works and systems. Products in this segment include fire hydrants, gas valves and boiler gauges. The harmful impacts of the COVID-19 (coronavirus) pandemic have stymied demand from key markets. Coupled with import penetration, these factors have caused the segment's share of revenue to decline over the five years to 2022. Despite this, the industrial valve segment will likely be poised for recovery over the coming years as manufacturers rebound due to the realization of delayed construction and utilities projects.

### FLUID POWER VALVES

Hydraulic systems use a liquid, such as mineral oil or water, while pneumatic systems use a gas, such as compressed air. These products include a variety of directional control valves, fluid hose assemblies, hydraulic hose fittings, pneumatic hose fittings and solenoid valves. Key applications for hydraulic valve systems are industrial machinery manufacturing, such as bulldozer or crane manufacturing, mining and hydraulic fracturing; key applications for pneumatic systems include factory automation, petroleum refining and chemical manufacturing. More importantly, fluid power valves are integral aspects of the commercial aerospace and defense markets, which have grown consistently with negligible import competition. This segment's declining share of revenue over the past five years can be accounted for in large part by the adverse effects of the pandemic on the industry. Additionally, volatile oil prices have proven a hindrance to the industry and this relationship is anticipated to continue. Fluid power valves and related accessories are expected to account for 31.6% of industry revenue in 2022.



## SEGMENT HIGHLIGHT

### PLUMBING FIXTURE VALVES, FITTINGS AND TRIM

Within this product segment, single-lever plumbing fixtures and other plumbing fixtures generate less than half of this segment's revenue. In 2022, this segment comprises an estimated 18.2% of industry revenue. Plumbing valves, fittings and trim are largely standardized and do not require as robust specialization as other industrial valves. Despite being at greater susceptibility for penetration by foreign markets, this segment's share of the industry has grown over the past five years. This is in part due to growing demand from the construction and residential sectors, with the residential sector specifically providing the impetus for the industry to flourish through the pandemic.

### OTHER

This category encompasses a wide range of miscellaneous flow control devices, including water traps, metal pipe flanges, lawn and firefighting hose nozzles and small valves used in aerosol containers. These individual product categories are not expected to account for more than 5.0% of the industry.





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## FIRM MANTRA

“ It is not the critic who counts; nor the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat. ”



*Theodore Roosevelt*

— Theodore Roosevelt  
The Man in the Arena





## PREVIOUS CLIENTS

Client	Industry	Type of Engagement
ACSI	Financial Services	Advisory
Activor, Inc.	Healthcare	Corporate Finance
Advanced Particle Therapy	Healthcare	Corporate Takeover
Affinity Finance	Mortgage	M&A – Buyer
Affinity Finance	Mortgage	Joint Venture Advisory
Auto Benefits Corporation	Financial Services	Advisory
Automated Data Services, Inc.	Software	M&A Advisory
Automated Data Systems, Inc.	Financial IT Services	M&A– Seller
Bibbentuckers	Retail Chain / Consumer Services	M&A Advisory
Boardroom Software	Software	Corporate Finance
Brides International, Inc.	Apparel/Specialty Retail	M&A Advisory
California Proton Treatment Center	Healthcare	Bankruptcy Advisory
Cambridge Home Loans	Mortgage	M&A – Seller
Cantoni, Ltd.	Specialty Retail	M&A Advisory
Carequest Home Care, Inc.	Healthcare	M&A Advisory
Champion Brass, Inc.	Distribution	M&A Advisory
Cimaco, Inc.	Industrial Machinery	M&A Advisory
City Holdings	Mortgage	Divestiture Advisory
CMG Mortgage, Inc.	Community Banking	M&A – Buyer
Cobb Partners, LLC	Financial Services	Convertible Preferred Offering
Computrition, inc.	Software	Advisory
Contender Boats	Marine Manufacturing	Advisory
Dallas European Shoreline Imports	Auto Parts Distribution	Debt Financing
Datazone Systems, Inc.	Data Storage Devices	M&A Advisory
DeCrane Aircraft Holdings, Inc.	Aviation	M&A Advisory
Destination Films, Inc.	Film/Entertainment	Recapitalization
ECP Processing, Inc.	Merchant Processing	Advisory
First Chair Technologies, Inc.	IT Outsourcing/Integration	Private Placement-Convertible Debt
First National Bank of Los Angeles	Community Banking	Advisory
Fredericks of Hollywood, Inc.	Apparel/ Specialty Retail	Bankruptcy Advisory
Fruit-A-Freeze, Inc.	Foods/ Specialty Retail	M&A Advisory
H&S Yacht	Manufacturing	M&A Advisory
Hi Quality Electronics, Inc.	Consumer Electronics	M&A Advisory
Homebanc, Inc.	Financial Services	M&A – Seller
Homestar Funding	Mortgage	M&A – Seller
Hoss Equipment Company	Heavy Equipment Remanufacturing	Debt Financing
IMC	Building Products	M&A Advisory
Imperial Technology, Inc.	Data Storage Technology	M&A Advisory
Intelegy, Inc.	CRM/ Consulting	Advisory
JDI Solutions, Inc.	Manufacturing	M&A Advisory
Jolly Chef	Food Service	M&A Advisory
KAT & Associates, Inc.	Healthcare	Advisory
LAX World Co, Inc.	Sporting Goods Retail	M&A Advisory
Loan Genie, Inc.	Mortgage	Advisory
Long Range Systems, Inc.	Manufacturing	Corporate Finance
Magicstone Media, LLC	Media/Entertainment	Corporate Finance



## PREVIOUS CLIENTS

Client	Industry	Type of Engagement
Maryland Proton Treatment Center	Healthcare	Turnaround & Recapitalization
Maui Girl & Co., Inc.	Apparel/Specialty Retail	M&A Advisory
MI Senior Living	Senior Housing/Healthcare	Corporate Finance
Mid-America Fittings, Inc.	Manufacturing	M&A Advisory/Sale
Midland Metals Manufacturing, LLC	Distribution	Leveraged Recapitalization
MVI, Inc.	Insurance	Advisory
Nature's Formula, Ltd.	Health and Beauty	M&A Advisory
Neuronix, LTD	Healthcare	M&A Advisory
Newline	Int'l Manufacturer of Marker Boards	M&A Advisory
Numerica Software	Software	Advisory
Oakley Homes, Inc.	Construction	Private Placement
Palm Beach Tan	Retail Chain/Consumer Services	Debt Financing
PayDay One Holdings, LLC	Consumer Finance	M&A - Seller
PERGAN Nordamerika GmbH, i.G.	Organic Peroxides	M&A Advisory
Phoenix Radiology, Inc.	Healthcare	M&A Advisory
Predicate Logic, Inc.	Software	Corporate Finance
Pro Systems, Inc.	Manufacturing	Advisory
Prologistics Technology, Inc.	Software	Advisory
Promiseland Dairy	Food & Beverage	M&A Advisory
Resource Bancshares, Inc.	Mortgage	M&A – Buyer
San Dieguito National Bank	Community Banking	Advisory
SCS/Frigette	HVAC Manufacturing	M&A Advisory
Sessions, Inc.	Staffing/Entertainment	M&A Advisory
StaffUSA, Inc.	Staffing	M&A Advisory
Sun Country Bank	Community Banking	Advisory
Surgical Notes	Health Care Services & Technology	Debt Financing
SY technologies, Inc.	Missile Guidance Technology	Corporate Finance
Tishman West Realty, Inc	Financial Services	M&A– Seller
Transcend Equity Development	Energy Conservation Services	Project Financing
TruckloadUSA	Building Product Distributor	Debt Financing
Turner Financial, Inc.	Mortgage	M&A – Seller
U.S.E Community Services, Inc.	Financial Services	M&A – Seller
Uncle Julio's	Restaurant Chain	Recapitalization
Undaunted Holdings, LLC	Marine Manufacturing	Acquisition
US Merchant Systems, Inc.	Transaction Processing	Corporate Finance
US Merchant Systems, Inc.	Financial Services	Convertible Preferred Offering
USDB Bancorp, Inc.	Mortgage	M&A – Buyer
VVI Construction, Inc.	Construction	M&A Advisory
WalkAbout Software, Inc.	Software	M&A Advisory
Westex Metal & Iron, Inc.	Scrap Metals	M&A Advisory
Worthy Financial, Inc.	Reg A+ Bond Sales	Advisory
YouGotCash, LLC	Software- Portal	Advisory

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