



PIPES, VALVES & FITTINGS

Market Update | Q3 2023



VICTORY PARTNERS

PIPES, VALVES & FITTINGS

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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 PRODUCTS AND SERVICES

- ▶ Industrial valves
- ▶ Plumbing fixture valves, fittings and trimming
- ▶ Fluid power valves and hose fittings and accessories
- ▶ Other valves

INDUSTRY OUTLOOK

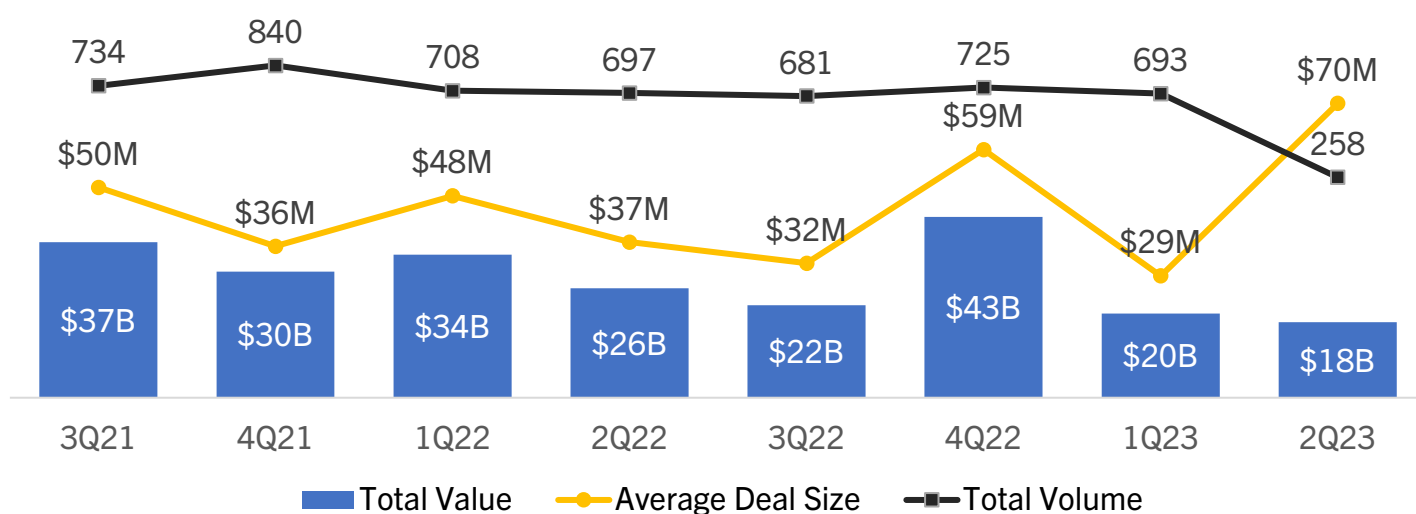
The global industrial valves total market size is expected to be \$80 billion in 2023, according to MarketsandMarkets. The market is projected to reach \$100 billion in 2028 (CAGR of 4% from 2023). This forecast is based on several factors, including an uptick in demand for valves by the pharmaceutical and healthcare sectors, as well as the growth of smart cities and the proliferation of new technology and networks used to monitor the status and condition of valves. The U.S. leads the world in Research and Development (“R&D”) within the global industrial valve industry. According to YahooFinance, U.S. market revenue is expected to increase from \$33 billion in 2023 to \$43 billion by 2028. Factors such as technological advancements, energy efficiency, infrastructure investments, and rising levels of industrialization are key growth drivers for the industrial valves market.



M&A OVERVIEW

According to PwC's Industrial Manufacturing: U.S. Deals 2023 Midyear Outlook Report, Total U.S. Industrial deal volume and value declined in the first half of 2023, but Q2 2023 total deal value has remained consistent with Q1 2023 numbers while the total volume has decreased resulting in the average deal size to more than double from Q1 2023 to Q2 2023. Inflation, high interest rates and other macroeconomic factors are pressuring dealmakers to optimize and review portfolios and evaluate strategic gaps. This focuses deal activity on key strategic areas to build capabilities (i.e. add-on acquisitions), rather than building scale through platform acquisitions. PwC anticipates deal activity in the second half of 2023 to be stable and continue to be largely driven by strategic gaps or divestitures of non-core assets to create liquidity events for owners. Investments in digital technology (including automation and artificial intelligence) and reshoring are consistent themes driving M&A strategy.

Total U.S. Industrial Manufacturing Deal Value and Volume (Last Eight Quarters)



Q2 2023 information cutoff is May 15, 2023. Deals included in this graphic are total announced deals.
Source: PwC

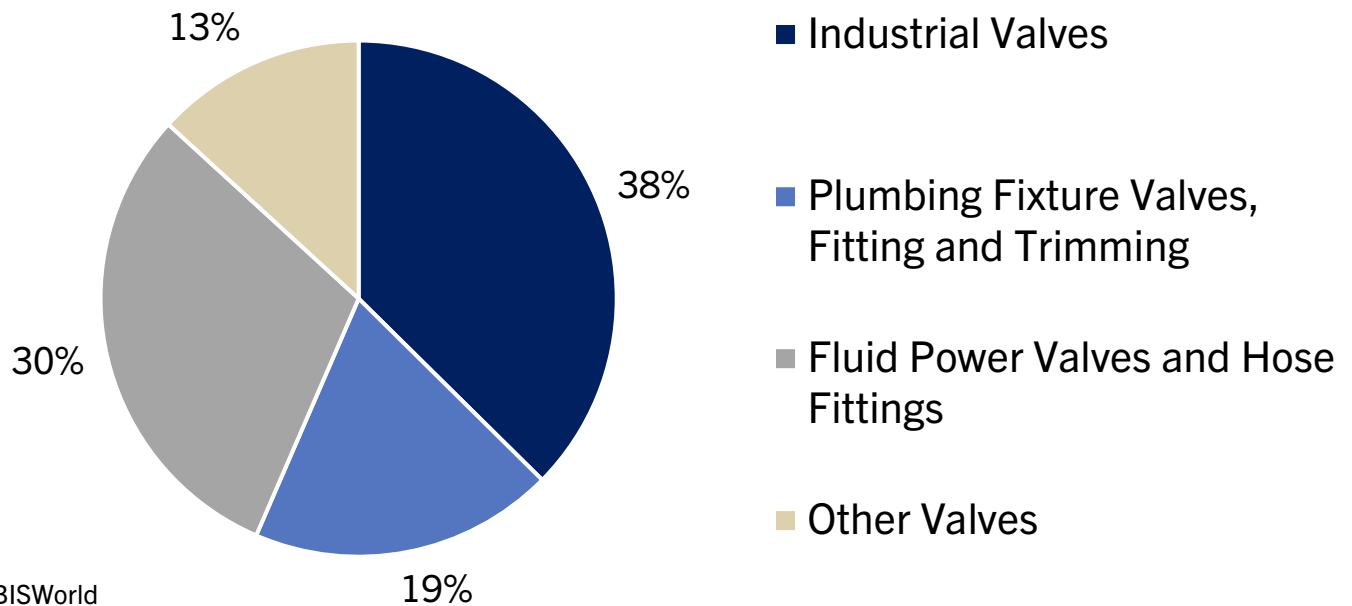
Select U.S. Industrial Manufacturing Transactions

Acquirer	Target	Closing Date	Deal Type	Deal Value
The Macomb Group	Deacon Industrial Supply Company	Apr. 4 th , 2023	M&A	Undisclosed
Midland Industries	Gruner Brass Fittings	Dec. 22 nd , 2022	Buyout/LBO	Undisclosed
RWC Global	Ez-Flo International	Nov. 19 th , 2021	M&A	\$328M
Olympic Steel	Shaw Stainless & Allow	Oct. 1 st , 2021	M&A	\$12M
Harbor Group	Stainless Hose Fittings	Jan. 31 st , 2020	Buyout/LBO	Undisclosed



SEGMENT HIGHLIGHTS

REVENUE CONTRIBUTION (2023E)



Source: IBISWorld

INDUSTRIAL VALVES

This segment is generally categorized according to valve 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 last six years through 2023. 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

Fluid power is a term describing hydraulic and pneumatic technologies. Both technologies use a fluid (liquid or gas) to transmit power from one location to another. With hydraulics, the fluid is a liquid (usually oil), whereas pneumatics uses a gas (usually 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 30% of industry revenue in 2023.



SEGMENT HIGHLIGHTS

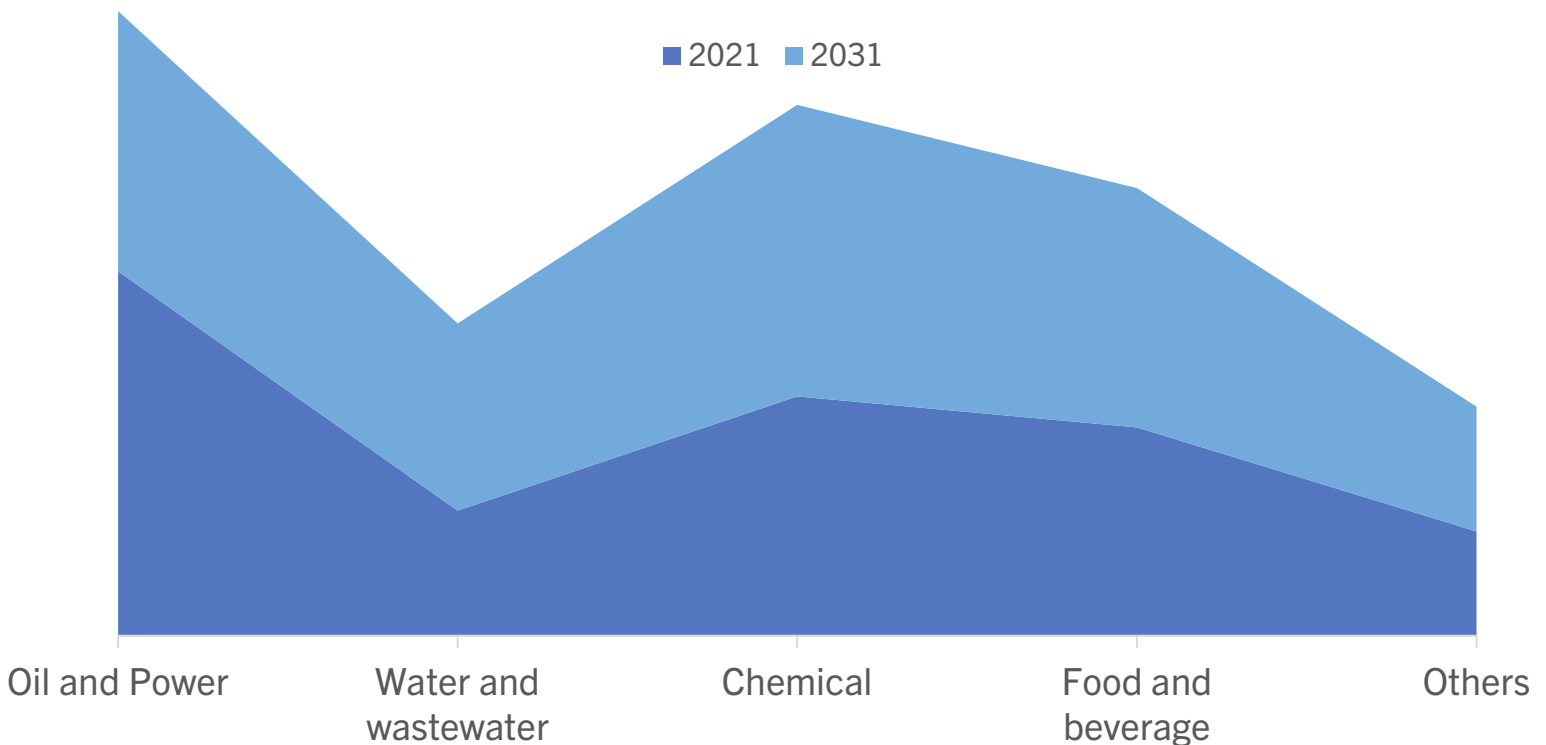
PLUMBING FIXTURE VALVES, FITTINGS AND TRIMMING

Plumbing valves, fittings and trimming are largely standardized and do not require as robust specialization as other industrial valves. Within this product segment, single-lever plumbing fixtures and other plumbing fixtures generate less than half of this segment's revenue. In 2023, this segment is estimated to be 19% of total industry revenue. Despite having a 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 in the years to come.

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 expected to account for 13% of the industry in 2023.

Pipes, Valves & Fittings Market
By Application



Source: Allied Market Research

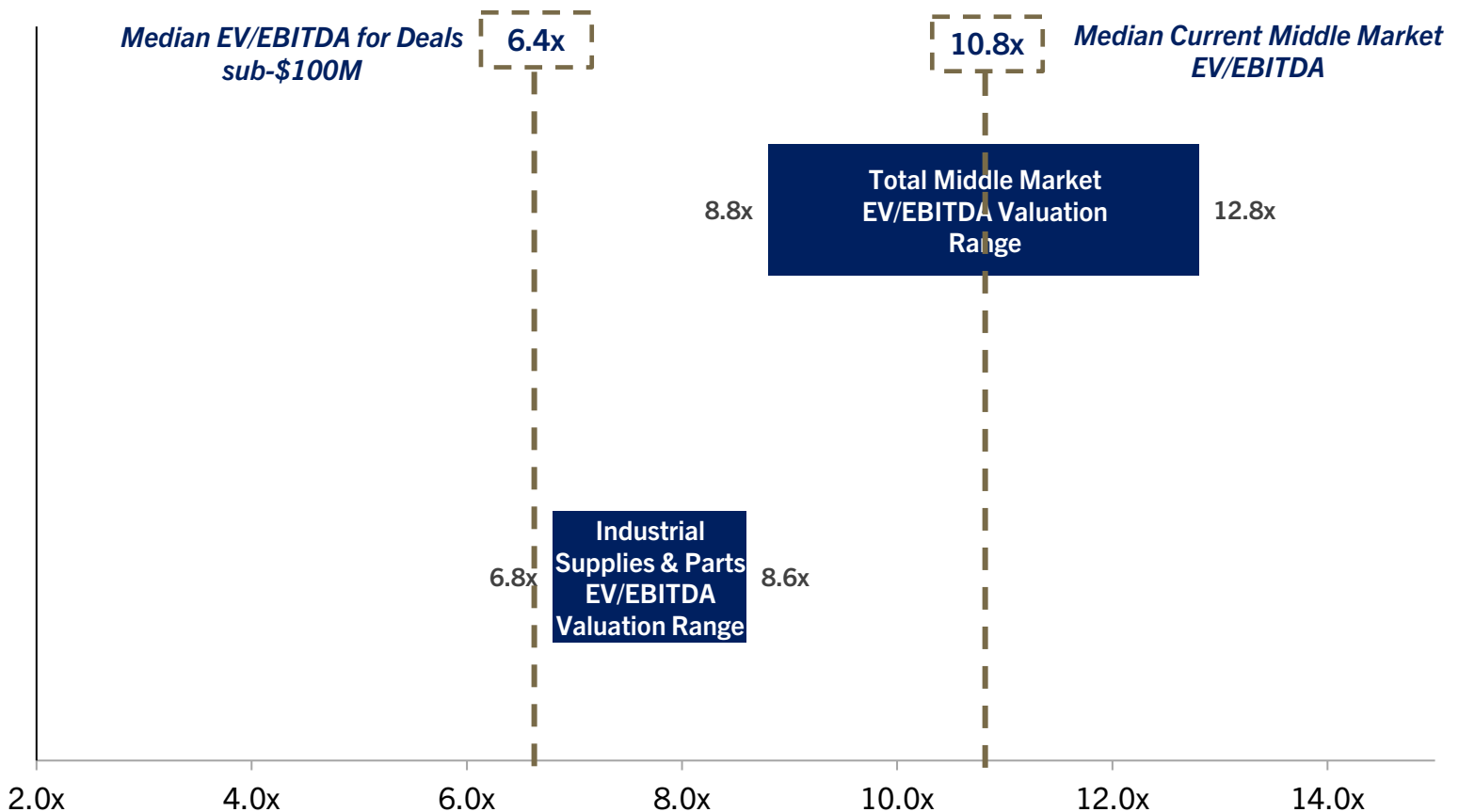


CURRENT MARKET TRANSACTION

- ▶ Middle Market (\$100 million - \$5 billion) Enterprise Value (“EV”) / EBITDA median multiple = 10.8x
- ▶ Sub-\$100M bucket: EV/EBITDA of 6.4x, a 32% discount to the Middle Market
- ▶ Founder-owned businesses are attractive M&A targets in the current Middle Market environment
- ▶ A majority of M&A deals recently in the market are founder-owned businesses
- ▶ In Q1 2023, deals for non private equity-backed private companies hit 62% of all M&A transactions, the highest share seen since the global financial crisis

M&A Transaction Valuation Perspective

Represents *Enterprise Value / EBITDA* Valuation Multiple



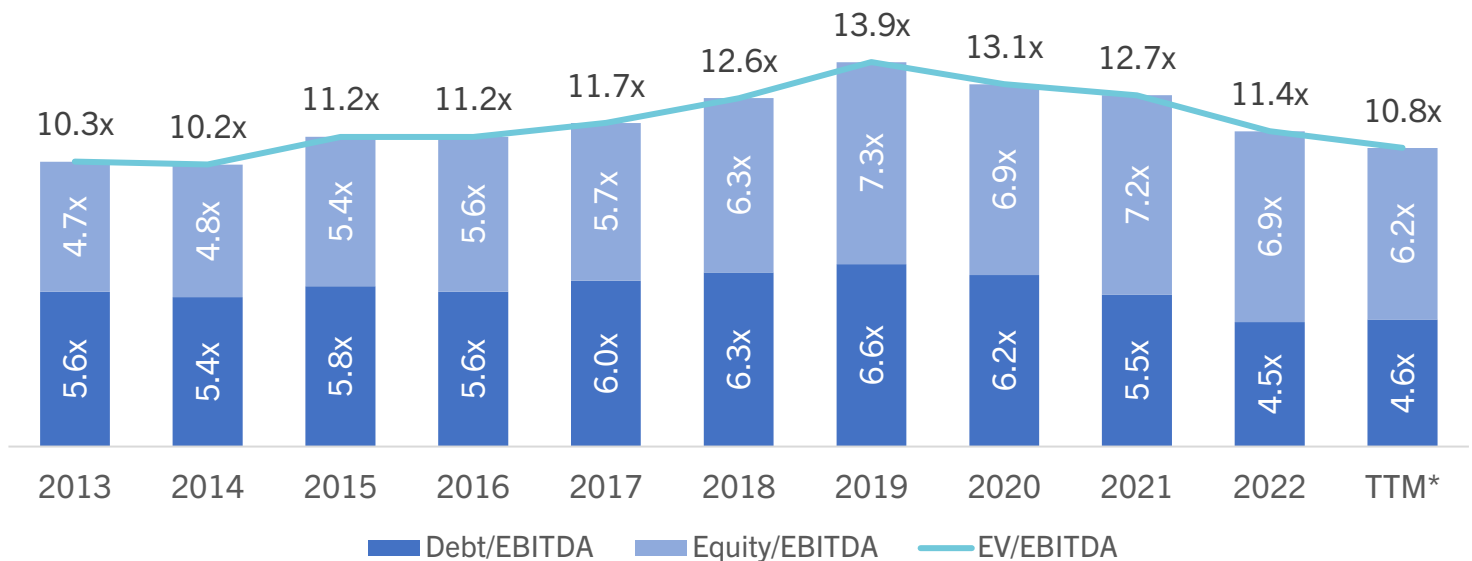
Source: PitchBook



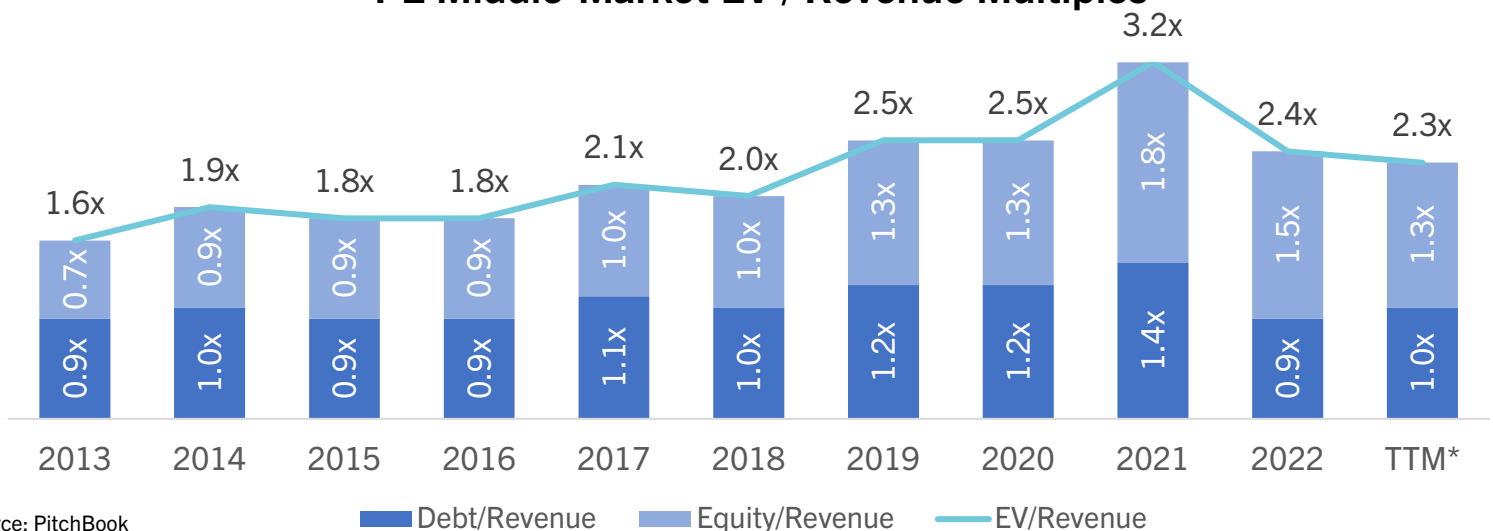
VALUATIONS IN TODAY'S MARKET

- ▶ Valuations on Private Equity (“PE”) transactions of all sizes have declined to some of the lowest levels in the last ten years on an EV / EBITDA basis
- ▶ Transaction multiples derived from EV / EBITDA have declined as a direct result of an ongoing retraction in bank lending the industry is experiencing as a whole and the Fed’s continued increasing of interest rates
- ▶ Middle-market buyout EV / EBITDA multiples peaked earlier in 2019 at 13.9x and have fallen to 10.8x in the latest trailing 12 months, down 22% cumulatively
- ▶ EV / Revenue multiples peaked at 3.2x in 2021, reverting back to historical norms in the latest trailing 12 months

PE Middle-Market EV / EBITDA Multiples



PE Middle-Market EV / Revenue Multiples



Source: PitchBook



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FIRM MANTRA: The Man in the Arena

“ 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
Numeria 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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