

Winter 2009

Flow & Process Control Equipment & Components M&A Market Update

Update At a Glance...

- The number of M&A transactions involving U.S. companies ticked up for a second consecutive quarter. The US\$ strengthened further relative to the Euro and Pound through the end of January '09.
- Global market conditions accelerated their deterioration significantly. M&A deals and public company equities continued to be re-priced in all segments. The Institute for Supply Management (ISM) manufacturing index declined sharply again from 43.5 at the end of third quarter 2008 to 32.4 at the end of fourth quarter 2008.
- Private equity firms were markedly absent from M&A activity in the fourth quarter of 2008. The credit markets cratered, thus affecting private equity's ability to consummate transactions and forcing some firms to take a "step back" and wait for the credit markets to resume functioning.



What's Hot

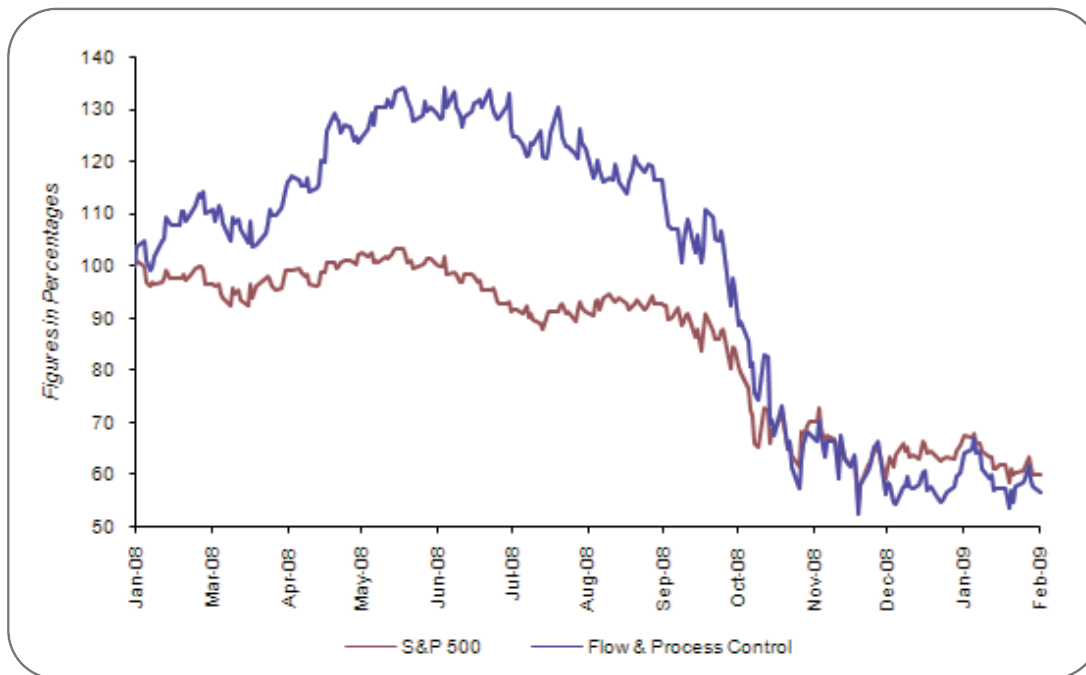
- Cross-border M&A being led by U.S. based companies, taking advantage of a stronger dollar relative to the Euro/Pound and a soft European market.
- Strategic transactions, as private equity groups struggle with dysfunctional credit markets.

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HT Capital Flow & Process Control Index¹



“Relative performance of the Flow & Process Control Index has aligned with the broader S&P 500.”

1. Source: HT Capital Research & Capital IQ (Market Weighted Index compiled of BDJ, BCR, MDT, BSX, SYK, ZMH, SNN)

Market Notes

Flow & Process Control Index Components Mimic S&P 500 Performance: With equities across industries and countries being brutally re-priced in the past 12 months, the relative performance of the Flow & Process Control Index has aligned with the broader S&P500 after a 10 month period of outperformance beginning in January 2008.

U.S. M&A Activity Maintains Second Half Momentum: A stronger dollar heralded a wave of cross-border M&A activity led by U.S. companies in the fourth quarter, following a respectable third quarter. Also contributing was the relative strength of the large acquirers' balance sheets.

Public Company Trading Multiples Contract Further, While Transaction Multiples Remain Sound: Current public trading valuation multiples have slumped to a mean of 1.0x revenue and 5.4x EBITDA, well down on 2008's figures as the market re-prices equity risk and accounts for lower projected profits. Transactions, however, are still attracting a premium, with a mean of 1.5x revenue (see table on p.4). This signifies that buyers are still paying a premium for control of quality companies.

M&A Drivers: Several key M&A drivers have assisted dealmakers in the third quarter.

- Large, financially strong domestic companies are making opportunistic acquisitions both domestically and abroad. The comeback of the US\$ has helped facilitate cross-border deals for U.S. buyers.
- Potential changes in the capital gains tax rate, probably in 2011, continue to motivate owners of small, private companies to seek liquidity.
- Fear of a deep and prolonged economic downturn is a thing of the past as it has arrived, and the markets have taken a turn for the worse in the fourth quarter. This is driving some sellers to take action now while buyers are still interested, as opposed to deferring a decision in case events deteriorate further, or the downturn is much larger than anticipated.

Public Company Metrics

Flow & Process Control Selected Comparable Public Companies (\$ in millions, except per share)

Company Name	Stock		Equity Value	Enterprise Value	Price EPS	Enterprise Value as a Multiple of:			
	Price	52WK High				Revenue		EBITDA	
						2008	2009	2008	2009
Badger Meter Inc. (BMI)	\$27.83	44%	\$412	\$431	16.5x	2.5x	1.5x	15.1x	9.0x
Cameron International Corp. (CAM)	20.54	35%	4,455	4,253	7.9	1.8	0.7	10.1	4.0
CIRCOR International Inc. (CIR)	20.28	30%	343	274	NM	1.0	0.3	8.7	2.2
Crane Co. (CR)	15.41	33%	901	1,092	6.9	0.8	0.4	6.3	3.7
Donaldson Company Inc. (DCI)	25.05	48%	1,932	2,229	11.4	1.2	1.0	8.5	7.7
Emerson Electric Co. (EMR)	26.82	46%	20,250	24,016	8.8	1.7	1.0	8.9	5.0
Flowserve Corp. (FLS)	53.05	36%	2,966	3,074	6.9	1.5	0.7	11.3	4.4
FMC Technologies, Inc. (FTI)	27.08	33%	3,404	3,567	10.0	1.4	0.8	12.2	5.9
Franklin Electric Co. Inc. (FELE)	20.16	37%	464	603	10.6	1.5	0.8	11.4	5.8
Gorman-Rupp Co. (GRC)	17.98	39%	300	277	11.0	1.7	0.8	12.4	5.9
IDEX Corp. (IEX)	19.26	47%	1,531	2,024	12.1	2.1	1.4	9.5	6.5
IMI plc (IMI)	3.53	47%	1,130	1,537	7.2	0.9	0.6	6.0	3.5
Roper Industries Inc. (ROP)	41.58	59%	3,732	4,822	13.6	2.7	2.1	10.9	8.3
Schlumberger Limited (SLB)	39.30	35%	47,005	48,676	8.9	4.1	1.8	11.4	5.2
Smith International Inc. (SII)	21.53	24%	4,720	8,676	5.9	1.6	0.8	8.9	4.6
Spirax-Sarco Engineering plc (SPX)	10.76	63%	818	794	9.9	1.6	1.1	7.8	5.2
Teledyne Technologies Inc. (TDY)	23.43	35%	844	1,162	7.7	1.2	0.6	9.5	4.9
MEDIAN		41%			9.7x	1.7x	1.0x	9.9x	5.4x
MEAN		37%			9.4x	1.6x	0.8x	9.5x	5.2x

Note: 2008 multiples are based on period averages, 2009 multiples based on recent stock price.

1. Source: Capital IQ & Google Finance
 2. Enterprise Value (Equity+Funded Debt & Cash)/Trailing Twelve Months' Revenue
 3. Enterprise Value/Trailing Twelve Months' Earnings Before Interest, Taxes, Depreciation and Amortization
 4. LTM=Last 12 months/ AT=All Time

Deal Environment

Noteworthy Recent Transactions

- In a cross-border transaction, **Franklin Electric Co.** acquired the outstanding shares of **Vertical Spa**, a Vicenza, Italy based designer, developer, and manufacturer of pressed and welded stainless steel pumps and pump components. Vertical's world-class stainless steel products will complement Franklin's strong global water systems distribution network, continuing to fill world-wide demand. Vertical generated 20 million Euros in revenue in 2008. (Source: Capital IQ, press release)
- Curtiss-Wright Corporation** acquired **Nu-Torque**, an \$8 million revenue designer and manufacturer of electric and hydraulic valve actuation and control devices primarily for U.S. Navy ships. The business will become part of Curtiss-Wright's Flow Control segment. According to the Chairman of Curtiss-Wright, Nu-Torque will expand the company's presence in the U.S. Navy market, strengthen system integration capabilities and enhance the expansion into international niche markets. (Source: Capital IQ, press release)
- In October, **Donaldson Company, Inc.** acquired **Western Filter Corporation**, a manufacturer of liquid filtration systems and replacement filters. The acquisition will complement Donaldson's aerospace and defense business. The acquisition will broaden the range of products that Donaldson can offer its aerospace and defense customers. Western Filter expected 2008 sales of approximately \$28 million. (Source: Capital IQ, press release)
- In more cross-border action, **Crane Co.** acquired **Krombach Group**, a leading manufacturer of specialty valve flow solutions for the power, oil and gas, and chemical markets, employing 640 people globally. The acquisition will strengthen and broaden Crane Co.'s product offering in their global power and energy infrastructure business. Krombach's sales for 2008 were estimated at \$91 million. (Source: Capital IQ, press release)

Industry Transactions

Flow & Process Control Market Transactions (\$ in millions, except multiples)

Date	Target	Acquirer	Multiples of		
			Deal Size	Revenue	EBITDA
01/30/2009	Atexis SAS	MEAS Europe SAS	\$8.65	-	-
01/30/2009	Tecan Ltd.	Stork Prints B.V.	-	-	-
01/29/2009	SPX Valves & Controls	Sartell Valves, Inc.	-	-	-
01/22/2009	Global Metering Systems, LLC	Sensus Metering Systems (Bermuda 2) Ltd.	-	-	-
01/19/2009	Nu-Torque, Inc.	Curtiss-Wright Flow Control Corp.	-	-	-
01/19/2009	Gesellschaft für Mikroelektronikanwendung Chem-	Alster Equity Partners GmbH	-	-	-
01/16/2009	Vertical Spa	Franklin Electric Co. Inc. (NasdaqGS:FELE)	-	-	-
01/16/2009*	Fontaine-Alliance Inc.	Zurn Industries, Inc.	24.06	0.75x	-
01/02/2009*	Controls Srl	-	-	-	-
12/22/2008	AXSUN Technologies, Inc.	Volcano Corporation (NasdaqGM:VOLC)	21.77	1.21	-
12/17/2008	Krombach Group	Crane Co. (NYSE:CR)	69.0	-	-
12/10/2008	Yeomans Chicago Corporation	Grundfos DK A/S	-	-	-
11/21/2008*	Command Controls Corporation	Bucher Hydraulics AG Frutigen	-	-	-
11/20/2008	Olmsted Products Co.	Oilgear Co.	-	-	-
11/14/2008*	American Hydro Corporation	Warrior Girl Corp. (OTCPK:WRGL)	-	-	-
11/13/2008	Weed Instrument Co., Inc.	Ultra Electronics Holdings plc (LSE:ULE)	31.6	1.66	-
11/13/2008	LG Ball Valves Limited	Aberdeen Valve Supplies Ltd.	-	-	-
11/03/2008	Muirhead Aerospace Limited	Ametek Inc. (NYSE:AME)	-	-	-
11/03/2008	Midmark Corporation, Dental Nitrous Oxide Prod-	Parker Hannifin Corporation (NYSE:PH)	-	-	-
10/31/2008	Cavotec Meyerinck GmbH	Cavotec MSL Holdings (NZSE:CCC)	-	-	-
10/16/2008	Teledyne Corman Limited	Teledyne Limited	20.67	1.76	-
10/15/2008	Western Filter Corporation	Donaldson Company Inc. (NYSE:DCI)	78.5	-	-
10/13/2008	Marotta Controls, Inc., European Operations	Ampac-ISP Corp., LLC	6.38	-	-
10/08/2008	Weir Materials & Foundries	Rolled Alloys Inc.	17.2	-	-
10/02/2008	Integ Holdings Ltd.	Eaton Corporation (NYSE:ETN)	-	-	-
10/02/2008	Facility Monitoring Systems Ltd. & Adams Instru-	TSI Inc. (OTCPK:TSIA)	-	-	-
10/01/2008#	Richter Chemie-Technik GmbH	IDEX Corp. (NYSE:IEX)	99.63	1.92	-
10/01/2008	Mechtronics Ltd.	Curtiss-Wright Controls, Inc.	2.8	-	-
10/01/2008#	Parker-Origa GmbH	Parker Hannifin Corporation (NYSE:PH)	-	-	-
10/01/2008#	Hargraves Technology Corporation	Parker Hannifin Corporation (NYSE:PH)	-	-	-
MEDIAN				1.7x	-
MEAN				1.5X	-

* Announced, not yet closed
Featured in HT Capital's 3Q08 Report

Note: Only disclosed data has been included.
Source: HT Capital Research, Capital IQ

With over half a century of experience, HT Capital stands ready to work with you to create the optimal solutions for your company. For more information regarding the transaction environment in process control or to discuss how HT Capital might be of service, please contact our practice leads, C. A. (Burke) Burkhardt / Philippe de La Chapelle at (212) 759-9080, or via e-mail at cburhardt@htcapital.com/pdelachapelle@htcapital.com.

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