



Capstone Partners

Investment Banking Advisors

INFRASTRUCTURE

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M&A OVERVIEW

Recent merger and acquisition activity in the infrastructure sector has been dominated by large high profile deals, such as Danaher Corporation's \$14.7 billion acquisition of Pall Corporation, and higher than average multiples. Private equity buyers have entered the market en masse, which has driven multiples to the elevated levels we are seeing today, especially through acquisitions by groups such as AEA Investors and Hamilton Robinson. The high level of private equity activity in sectors traditionally driven by strategic acquisitions is indicative of a boom cycle in mergers and acquisitions. Financial buyers are taking advantage of the favorable macro-economic conditions present in the sector and are competing directly with strategic buyers. While recent M&A activity like this suggests an uptick in multiples, it is important to note that the increases in average industry multiples are being skewed by the size and strategic importance of a few significant transactions.

INDUSTRY OUTLOOK

The outlook for merger & acquisition activity in the infrastructure sector hinges significantly on fluctuations in the regulatory environment. Regulations that pertain to diesel engine emissions, for instance, can both drive and slow down activity depending on the nature of the regulation. As regulators continue to press the issue of reducing carbon emissions, companies have looked to expand their capabilities in order to comply with legislation. Now, with Volkswagen's emission scandal pushing the issue into the international spotlight, companies in all sectors will make sure to be well prepared for future regulatory changes. This is especially true for infrastructure related companies as many look to mergers and acquisitions in order to grow their capabilities. Because of this, regulation often has the power to create winners and losers in this marketplace, a trend we expect to continue through 2016.

Capstone remains bullish on M&A activity for infrastructure related businesses as economic recovery continues and business activity picks up over the near term. Energy consumption is expected to continue to increase as businesses invest in additional space and demand more energy for their business needs. Capstone also expects changes in renewable energy technology and policy to play a significant role in how the industry performs looking forward. In general, as organizations within the infrastructure sector improve efficiencies and reduce costs, they will become increasingly appealing targets for financial and strategic buyers alike.

NOTABLE INFRASTRUCTURE TRANSACTIONS

Several notable transactions have already been completed or announced involving Infrastructure related businesses in 2015. Selected transactions are outlined below, followed by a more comprehensive list on the following table.

Private equity companies look for growth opportunities in Infrastructure –

So far in 2015, there has been significant investment in infrastructure related businesses by Private equity firms, which account for about a quarter of all transactions to date. Of the deals that have been announced, only APR Energy's \$253 million acquisition by a consortium of private equity firms has disclosed terms. The deal will privatize APR Energy and help bring them financial stability after a major international contract in Yemen was suspended. Other acquisitions including those of Huskie Tools, Irth Solutions, the Ohio Transmission Corporation and others, will provide target companies with greater resources to expand, both organically as well as through acquisitions of their own.

M&A trends in emissions and controls –

In May, CECO Environmental, an environmental technology company that provides solutions in product recovery, air pollution control and fluid handling, entered into a definitive merger agreement to acquire PMFG for an enterprise value of \$157.4 million. PMFG provides similar products and services in addition to industrial noise control equipment and is estimated to bring \$15 million in cost synergies within 24 months. After closing, the combined products and end markets will represent one of the most comprehensive product portfolios in the industry.

Another active acquirer in 2015 has been Donaldson Company Inc. (Donaldson), a worldwide leader in the manufacturing of filtration systems. In June, Donaldson acquired IFIL USA, a manufacturer of pleated bag filters used in industrial dust collection. Then, in August, Donaldson acquired the Engineered Products Company, a leading producer of indicators, gauges and sensors for filtration. Both deals will expand Donaldson's existing capabilities and will help bring efficiency of scale to their operations. Terms of both deals were not announced. "We see an increasing need for measuring and monitoring filter life in diesel powered equipment, and communicating filter status information visually, electronically and remotely as vehicles become increasingly connected with fleet management systems," said Tom Scalf, Donaldson's Senior Vice President for Engine Products.

SELECT U.S. INFRASTRUCTURE M&A TRANSACTIONS

Date	Target	Acquiror	Target Business Description	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
11/06/15	Portland Natural Gas Transmission	TC PipeLines	Provides natural gas transportation services for gas utilities, paper mills and electric generation plants in New England.	\$376.8	-	-
11/05/15	J.A.M. Distributing	Brenntag	Distributes fuel and lubricant products including compressor lubricants, various oils and cleaners.	-	-	-
10/26/15	APR Energy	Fairfax, Albright Capital & Acon Equity	Offers mobile turbine power to utilities, governmental institutions and power-intensive industries worldwide.	\$837.4	2.4x	8.6x
10/26/15	International Supply	Millstone Capital	Engineers and manufactures equipment for the power generation industry.	\$7.5	-	-
10/14/15	Professional Service Industries	Intertek	Offers geotechnical and engineering services to commercial and industrial properties and government public works.	\$330.0	1.3x	8.3x
10/14/15	Retroficiency	Ecova	Develops a cloud-based building efficiency intelligence platform for utilities and large energy service providers.	-	-	-
10/05/15	Willbros	TRC Solutions	Provides engineering, procurement, integrity and field services to the oil and gas and electric utility industries.	\$130.0	0.6x	-
10/02/15	Ohio Transmission	Irving Place Capital	Distributes mechanical power transmission equipment and pumps to customers in power, utility and OEM industries.	-	-	-
09/18/15	Huskie Tools	Platte River Equity	Supplies cutting and compression tools for the electric utility industry in North America.	-	-	-
09/15/15	Locus Energy	Genscape	Provides photovoltaic monitoring software and data analytics.	-	-	-
08/31/15	Pall Corporation	Danaher Corporation	Provides integrated systems solutions worldwide.	\$14,700.0	4.8x	20.4x
08/26/15	Cameron International	Schlumberger	Provides flow equipment products, systems and services to a wide variety of industries worldwide.	\$14,830.0	1.5x	8.9x
08/25/15	TelCom Construction	Dycom	Provides utility contractor services including construction, project management and splicing in the United States.	\$48.6	-	-
08/17/15	Thelen Associates	Geotechnology	Offers geotechnical-testing engineering and construction materials testing services.	-	-	-
08/17/15	ERICO Global	Pentair	Manufactures and markets precision-engineered metal products for electrical, utility and rail application markets.	\$1,800.0	-	-
08/17/15	United Utilities	Badger Meter	Distributes water and gas metering solutions to customers in Tennessee and Georgia.	-	-	-
08/13/15	Suniva	Shunfeng International	Designs and manufactures solar cells for residential, commercial, government and micro-utility applications.	\$71.3	1.0x	-
07/20/15	irth Solutions	Bregal Sagemount	Provides cloud-based field service management software to the utility and energy industries.	-	-	-
07/01/15	Competitive Resources	CMC Energy Services	Provides professional resource management services for the utility industry.	-	-	-
07/01/15	EN Engineering	General Atlantic	Offers engineering, consulting and automation services to pipelines, utilities and industrial customers.	-	-	-
06/30/15	iFiL USA	Donaldson	Manufactures and distributes pleated filter technology to a variety of industries.	-	-	-

SELECT U.S. INFRASTRUCTURE M&A TRANSACTIONS (CONTINUED)

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
06/17/15	Stellar Energy	REC Solar	Engineers, procures and constructs solar power plants in the United States.	-	-	-
06/03/15	Insulation Fabricators	Distribution International	Fabricates and distributes thermal and acoustical insulation products for industrial, commercial and utility markets.	-	-	-
05/28/15	QEI	PTI Holdings	Supplies SCADA control room equipment for electric, transit and water/wastewater utilities.	\$16.0	-	-
05/19/15	Steel Toe Group	C & B Equipment	Supplies pumping systems, electric motors and gear reducers for municipal water, OEM and industrial markets.	-	-	-
05/18/15	Industrial Air & Gas	Colfax	Distributes compressor technologies for water treatment, chemical production and power generation sector.	\$185.0	1.2x	8.4x
05/08/15	TPC Wire & Cable	Audax	Manufactures and distributes wire, cables and connectors used in harsh industrial environments.	-	-	-
05/04/15	Philip Post & Associates	Pennoni	Provides civil engineering, construction management and surveying services to public infrastructure projects.	-	-	-
05/04/15	PMFG	CECO Environmental	Provides systems and products primarily for the natural gas infrastructure, power generation and refining markets.	\$157.4	1.0x	-
04/28/15	Sunbelt Power Controls	Innovative IDM	Builds electrical motor controls for sewage pumps, motors, fans, telecommunications and HVAC equipment.	-	-	-
04/23/15	Industry Advanced Technologies	Checkers Industrial Safety Products	Manufactures channel heavy duty non-illuminated cable protectors and LED illuminated cable protection products.	-	-	-
04/20/15	Superior Composites	Stonewood Capital	Manufactures fiberglass reinforcements for applications in transportation, power generation and utility piping.	-	-	-
04/13/15	E.S. Boulos Company	MYR Group	Provides electrical construction and installation services for transportation, utility and waste water facilities.	\$11.4	-	-
04/03/15	ICS Healy-Ruff	S.J. Electro	Provides water and waste water control solutions for customers in the United States, Canada and Latin America.	-	-	-
03/31/15	Energy Development Associates	Rhombus Energy	Offers photo-voltaic power inverters, such as utility scale solar and wind inverters and smart combiner boxes.	-	-	-
03/31/15	Premier Utility Services	USIC Locating Services	Offers vacuum excavation, subsurface imaging, facility mapping and leak detection services.	\$51.0	-	-
03/24/15	EnerPath	Lime Energy	Provides energy efficiency software solutions to utilities, cities and corporations in the United States and Canada.	\$10.9	-	-
03/23/15	Mid Valley Industries	Gardner Standard & Accelity Group	Manufactures power generation equipment that include turbines, motor heads and other components.	-	-	-
03/19/15	UtilX	Novinium	Provides power cable life-extension technologies for utility companies, municipal water and commercial facilities.	\$40.0	-	-
03/12/15	Taylor Ridge Drilled Foundations	Drilling Service	Provides caisson drilling services for power sub-stations, electrical high line structures and industrial equipment.	-	-	-
03/11/15	MK Power Solutions	TFC	Offers engineering services to assist clients with the design and installation of electrical power stations.	-	-	-
03/09/15	MATCOR	Brand Energy & Infrastructure	Manufactures corrosion prevention systems that protect infrastructure, assets and investment worldwide.	-	-	-

SELECT U.S. INFRASTRUCTURE M&A TRANSACTIONS (CONTINUED)

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
03/04/15	Equarius Waterworks	Ferguson Enterprises	Supplies water meters for utilities in California.	-	-	-
03/02/15	Utility Partners	Meridian Waste Solutions	Maintains sewer pump stations transporting waste water to local treatment plants for processing.	\$25.0	-	-
03/01/15	Jones-Stuckey	Pennoni Associates	Provides civil engineering services to transportation, structural, utilities and recreation markets in Central Ohio.	-	-	-
02/27/15	CENERGY Power	2G energy	Manufactures combined heat and power (CHP) systems and clean energy power generation systems.	-	-	-
02/27/15	FWT	Sabre	Fabricates custom steel products for various applications in utility, communication and other transmission industries.	-	-	-
02/17/15	Wachs Valve And Hydrant	Pure Holding	Offers water valve services and pipeline management services to aging water infrastructure equipment.	CF	CF	CF
02/16/15	Polaris Drilling	Blackeagle Energy	Installs underground steel casing, PVC pipe and copper tubing using a horizontal boring machine or hammer drill.	-	-	-
02/09/15	Aevenia	Primoris	Provides a range of energy and electrical construction services including maintenance and repair.	\$22.3	0.5x	3.8x
02/09/15	REC Solar	Duke Energy Renewables	Designs and installs grid-tied solar electric systems for commercial and residential customers in the United States.	-	-	-
02/06/15	Enviance	Battery Ventures	Provides cloud-based environmental ERP software to infrastructure, energy and utilities sectors.	-	-	-
02/05/15	DUECO	TEREX Utilities	Manufactures, sells, rents, leases and services equipment for utility and related industries.	-	-	-
02/03/15	Principle Power	Marine Innovation & Technology	Develops renewable energy technology solutions.	-	-	-
01/28/15	ENOSERV	Doble Engineering	Provides software for companies for relay testing for the utilities industry.	\$20.5	2.6x	-
01/27/15	U.S. Water Services	ALLETE	Manufactures and supplies chemicals and other solutions for water management and treatment.	\$193.1	1.6x	-
01/20/15	Northwoods Land Surveying	Sidock Group	Provides surveying, engineering and computer mapping services.	-	-	-
01/19/15	Koppers' Utility Pole Business	Cox Industries	Offers utility pole manufacturing and wood treatment.	\$13.6	0.3x	-
01/19/15	Power House Supply	Collins Pipe & Supply	Distributes technical solutions for the power industry including various types of valves and gates.	-	-	-
01/14/15	Kline's Services	Wind River Environmental	Provides wastewater management services in Pennsylvania and Maryland.	-	-	-
01/12/15	Sunbelt Transformer	Grey Mountain Partners	Provides padmounts, dry types, substations and switchgears for industrial and utility applications.	-	-	-
01/08/15	North American Substation	Industrial Growth Partners	Installs, repairs and maintains electrical equipment for utility substations in the United States.	-	-	-
01/07/15	Detectent	Silver Spring Networks	Provides SaaS-based analytical solutions for advanced metering infrastructure and utility grid operations.	\$12.0	-	-

CAPSTONE PARTNERS: SELECTED INFRASTRUCTURE TRANSACTIONS



*has been
acquired by*



Capstone recently advised Wachs Valve and Hydrant Services (“Wachs Water”) on it’s acquisition by Pure Technologies. Headquartered in Buffalo Grove, Illinois, Wachs Water is a leading provider of flow control maintenance and support, leak detection and related asset management services to the water sector in the United States. As a service company focused on helping water utilities to improve control of their aging distribution networks, Wachs Water will add to Pure Technology’s suite of patented inspection and monitoring technologies.

"We are excited to join the Pure team," said Cliff Wilson, co-founder and President of Wachs Water. "Together, we will be in a unique position to help utilities solve underlying and fundamental underground aging infrastructure challenges. I see this as a tremendous fit that delivers opportunities to better serve our clients while also providing additional opportunities for our team members."

**CONFIDENTIAL
CLIENT**

*corporate sale
(IN PROCESS)*

**WATER DISTRIBUTION
SYSTEM SOLUTIONS**

VAPOR POWER INTERNATIONAL

has recapitalized with




*has been
acquired by*




has recapitalized with




*valuation &
financial advisory*

**BOSTON IRRIGATION
SUPPLY COMPANY**



*has been
acquired by*




*has been
acquired by*



E-Mon
a division of
HUNT CAPITAL.

*has been
acquired by*




*has been
acquired by*



Jarex Distribution LLC

*has been
acquired by*




*has been
acquired by*



L-com

has recapitalized with




*has been
acquired by*



MileTek

*has been
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**CASTLE ISLAND
PARTNERS, LLC**



has recapitalized with



THE INFRASTRUCTURE TEAM



Ted Polk, Managing Director

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Ted is Managing Director and Head of the Central Region at Capstone, based out of Chicago. Prior to Capstone, Ted ran the corporate finance practice in the Central region for Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. He has over 20 years of experience, having completed strategic sale and recapitalization transactions across a variety of industries. Ted is a frequent public speaker on the topic of business exits and recapitalizations of privately owned businesses. In 2008, Ted was recognized by The M&A Advisor for the Cross-Border Middle-Market Deal of the Year. In 2009, another of his transactions was recognized as the Middle-Market M&A Financing Deal of the Year and in 2011 he was recognized for lead-managing the Middle-Market Deal of the Year. Previously, Mr. Polk worked at Valuometrics, Inc. and in the Corporate Banking Group at The Bank of New York. Ted received his BSBA degree from Georgetown University and MBA from the University of Chicago. He is a Chartered Financial Analyst (CFA), a Series 7 and 63 Registered Securities Representative and a Series 24 Registered Securities Principal.



Lisa Tolliver, Director

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Lisa has 15 years of experience in the investment banking industry, primarily focused on advising private business owners in liquidity related transactions. Presently, Lisa is a Director in Capstone's Chicago office, supporting the management of the Central Region. Prior to Capstone, Ms. Tolliver worked in the Capital Strategies Group at Morgan Stanley Smith Barney, where she was involved in the evaluation, marketing and closing of numerous transactions across a wide range of industries. Specifically, Lisa has developed expertise within various industries including water & infrastructure, government & defense, software & technology, manufacturing and outsourced business services. Lisa received her BA on academic scholarship from Illinois State University and is a Series 7 and 63 Registered Securities Representative.



Daniel Schultz, Director of Business Development

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Dan oversees Capstone's national business development and industry coverage activities, working closely with current and prospective clients of the firm on matters related to corporate sales, recapitalizations, mergers & acquisitions and growth financings. In his role, Dan is able to deliver specific market intelligence to clients regarding M&A, financing, strategic, industry and competitive trends. Prior to spearheading the firm's business development and market initiatives, he was a Vice President in Capstone's M&A group, managing numerous successful transactions across a variety of industries. Dan also gained hands-on transaction experience as an investment banker at Headwaters MB. He started his career with Ernst & Young's National Professional AABS practice in New York and later worked in Assurance and Advisory Business Services in the Denver office. Dan received a BE in Biomedical Engineering with a Business Minor from Vanderbilt University. He earned an MBA and a Master of Accountancy from the Daniels College of Business at the University of Denver.

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ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a premier investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides M&A, corporate restructuring, private placement and financial advisory services. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in close to 40 countries.

For more information
about our expertise,
please visit
www.capstonellc.com



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