



Capstone Partners

WATER INFRASTRUCTURE

Q2 2017

CONTACTS

Ted Polk
Managing Director
(312) 674-4531
tpolk@capstonellc.com

Lisa Tolliver
Director
(312) 674-4532
ltolliver@capstonellc.com

Parker Dwyer
Associate
(312) 674-4533
pdwyer@capstonellc.com

MERGER & ACQUISITION ACTIVITY

Through the first quarter of 2017, 26 deals were announced or closed in the Water Infrastructure Industry including the blockbuster acquisition of GE Water for \$3.4 billion. This robust level of merger and acquisition (M&A) activity mirrors Q1 2016, which resulted in the second most active year recorded by Capstone. This year through Q1, strategic buyers accounted for 65.4% of deals and financial buyers for 34.6%. Comparatively, during that same period in 2016 strategic buyers accounted for 76.9% of deals and financial buyers for 23.1%. The slight uptick in financial buyers was driven by private equity groups entering the industry through platform acquisitions. Paired with promising industry fundamentals, the early activity already seen in this industry suggests a promising year ahead in the M&A market.

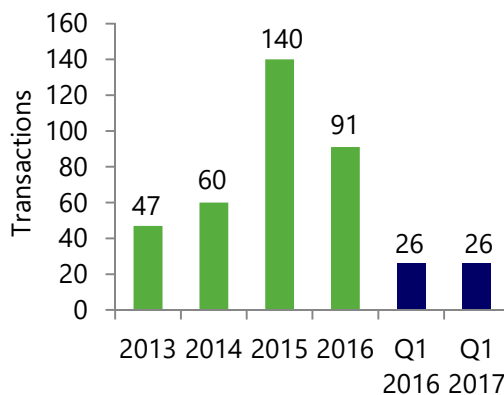
INDUSTRY OUTLOOK

After years of acknowledged and unmet needs in America's aging water infrastructure, invigorated investments from state and federal governments have created favorable industry tailwinds. President Trump has proposed to spend upwards of \$1.0 trillion over the next 10 years on infrastructure and the current Omnibus Appropriations bill provides record levels of funding for water development and research projects across the US. As a result of this increased government commitment, new public-private partnerships (P3s) are expected to be utilized as a way to increase the speed and reduce the cost of water infrastructure projects and provide opportunities for private sector growth.

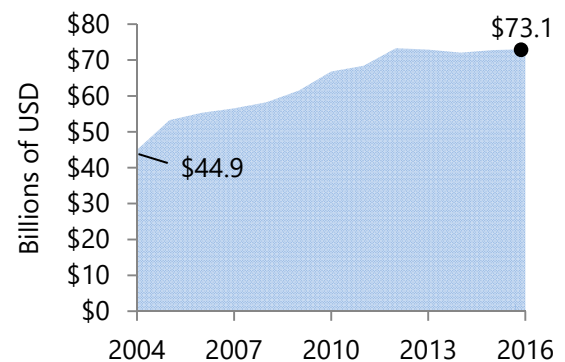
Technology investment is also a key driver of demand in the water infrastructure industry as new advancements in water treatment and filtration create lower-cost opportunities for system improvements. Specifically, data-driven smart water solutions are being employed to identify leaks and other inefficiencies and to reduce water waste. This growing opportunity to deploy technology is expected to attract more buyers seeking to acquire in order to diversify their existing product line or to enter a growing market.

- BOSTON
- CHICAGO
- LONDON
- LOS ANGELES
- NEW YORK
- ORANGE COUNTY
- PHILADELPHIA
- SAN DIEGO
- SILICON VALLEY
- TAMPA

M&A Activity: Water Infrastructure



Revenue Growth: US Water Supply & Irrigation Systems



Sources: CapIQ, IBISWorld and Capstone Partners LLC Research.

NOTABLE WATER INFRASTRUCTURE TRANSACTIONS

Several notable transactions have already been completed or announced in the Water Infrastructure industry in 2017. Select transactions are outlined below, followed by a more comprehensive list on the following table.

- ▶ **Advent International acquires Culligan International (April 2017)** – Advent International, a venture capital and private equity firm with offices scattered across the globe, acquired water filtration and treatment systems manufacturer Culligan International. Terms of the deal were not disclosed, however, the deal has been estimated at upwards of \$900 million. Founded in 1936 just outside Chicago, Culligan gained popularity for its home filtration systems, water softeners and late 1950s slogan “Hey, Culligan man!” Culligan was sold by private equity group Centerbridge, who had previously acquired Culligan in an out-of-court debt restructuring in 2012.
- ▶ **Private equity firm EQT Partners to acquire Innovyze (March 2017)** – Leading European private equity group EQT Partners (EQT) agreed to acquire Innovyze, a provider of wet infrastructure business analytics software, for \$270.0 million. Over the past 21 years, Innovyze has established itself as a leading provider of smart water infrastructure modeling and simulation software. The company has offices in Colorado, California, the UK and Australia and serves clients on every continent.

EQT was attracted to Innovyze’s “strong management team, culture of continuous innovation and track record of growth,” stated EQT Partner Matthew Levin in a press release. The acquisition will enable Innovyze to develop new product capabilities, gain new customer segments and to enter additional geographic markets.

“Joining forces with EQT will help us further enhance our technology innovation and talent pool to even better serve our fast growing customer base,” said Paul F. Boulos, Innovyze Chairman, CEO and President who will continue to lead the company after the transaction. “This is an ideal match of culture and technology, and a great win for the critical water and wastewater industry.”

- ▶ **Foreign buyers CDPQ & SUEZ to acquire GE Water (March 2017)** – General Electric agreed to sell 70% of its Water & Process Technologies company, GE Water, to French utility company SUEZ and the remaining 30% to Canada’s largest pension fund Caisse de dépôt et placement du Québec (CDPQ). The total transaction was valued at \$3.4 billion.

According to SUEZ CEO Jean-Louis Chaussade, the acquisition will accelerate and strengthen SUEZ’s growth strategy in the promising industrial water market and will create value for clients and shareholders alike. Additionally, Michael Sabia, CDPQ President and CEO stated that the investment aligned with CDPQ’s long-term growth strategy in which it will focus on stable assets in the economy.

“With an emphasis on industrial applications, GE Water has positioned itself as a key player in the water treatment industry thanks to its cutting-edge technology and a management team that has proven itself highly skilled at leveraging that competitive advantage,” Sabia noted in a press release. “Operating in a core industry, GE Water has built a premier business with recurring revenues and a high-quality and diversified customer base.”

WATER INFRASTRUCTURE: SELECT M&A TRANSACTIONS

Ann. Date	Target	Acquirer	Target Business Description	Enterprise	EV / LTM	
				Value (mm)	Revenue	EBITDA
04/20/17	Culligan International	Advent International	Distributes water filtration and treatment systems.	-	-	-
04/17/17	ASI Construction	Shaft Drillers International	Offers construction services for dams, spillways and major water resource projects.	-	-	-
04/04/17	Wind River Environmental	Gryphon Investors	Offers septic and cesspool pumping, system repair, design and installation.	-	-	-
03/31/17	Chester Engineers	Hatch	Provides engineering and scientific research services that include water and wastewater.	-	-	-
03/22/17	Cole-Palmer	Golden Gate Capital	Supplies laboratory and industrial fluid handling products, instrumentation, equipment and supplies.	-	-	-
03/21/17	Innovyze	EQT	Offers water and sewer condition and risk assessment software and pipeline design software.	\$270.0	-	-
03/21/17	Sanzfield Technologies	Grupo Rotoplas	Develops water treatment and water recycling systems.	-	-	-
03/08/17	GE Water	CDPQ & SUEZ	Markets equipment used in the filtration, separation and processing of fluids.	\$3,374.8	1.6x	10.0x
02/28/17	Fort DuPont's Water Assets	Artesian Resources	Comprises a water treatment plant, a storage tank and mains.	-	-	-
02/14/17	SOJAM	Fidelity Mechanical	Installs piping for chilled water and heating water, steam, sanitation and domestic water.	-	-	-
02/06/17	Royal Enterprises America	Forterra	Provides water treatment and utility infrastructure products.	-	-	-
02/06/17	Hoffman Southwest	ORIX Capital	Provides video inspection, cleaning and rehabilitation services for pipelines.	-	-	-
02/01/17	Petra Industries	Brenntag	Delivers sodium hypochlorite used for water treatment.	\$19.8	1.7x	-
01/30/17	Singer Valve	Mueller Water Products	Manufactures automatic control valves for the global water industry.	\$26.0	1.7x	-
01/27/17	Frontier Associates	GTI International	Provides energy efficiency and water conservation consulting services.	-	-	-
01/27/17	Pax Water Technologies	UGSI	Develops and markets mixing systems for potable water storage tanks.	-	-	-
01/11/17	Abednego Environmental	Ecolab	Manages waste water treatment systems and purified water systems.	-	-	-
01/10/17	Tundra Mechanical	WBD	Designs material handling systems for water treatment.	-	-	-
01/06/17	FRC Systems International	JWC Environmental	Installs wastewater treatment equipment.	-	-	-
01/04/17	Fremont Industries	Kurita Water Industries	Provides water treatment chemicals, equipment and services.	-	-	-
11/10/16	Geyserville Water Works	California American Water	Operates a water utility.	-	-	-
11/02/16	PVI Industries	Watts Regulator	Manufactures commercial domestic and process water heaters.	\$78.0	1.6x	-
11/01/16	WL Plastics	INEOS Olefins & Polymers	Manufactures high density polyethylene pipes for transporting water and saltwater disposal.	-	-	-
09/27/16	Trisep	MICRODYN-NADIR	Manufactures reverse osmosis membranes and chemicals.	-	-	-
09/20/16	RS Lining Systems	HammerHead Trenchless	Designs cured-in-place pipe equipment for pressure pipeline infrastructure.	-	-	-

CAPSTONE PARTNERS: SELECT WATER AND INFRASTRUCTURE TRANSACTIONS

Capstone Partners maintains an active Water and Infrastructure practice in the middle market, having represented clients across various specialties including water, roadways, geo-technology, utilities, energy, solar and communications. This focus allows Capstone to provide companies with real-time transaction information and immediate access to key decision makers among the industry's most active acquirers and investors.

 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has partnered with</p> 	 <p>has recapitalized with</p> 
 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has recapitalized with</p> 
 <p>valuation & financial advisory</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
 <p>has recapitalized with</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has recapitalized with</p> 

THE WATER INFRASTRUCTURE TEAM



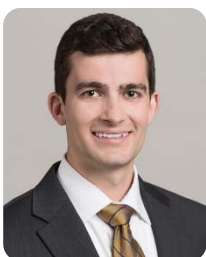
Ted Polk, Managing Director
tpolk@capstonellc.com • (312) 674-4531

Ted is a Managing Director at Capstone and leads the Central Region. 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. Ted was recognized by The M&A Advisor for his participation in the Professional Services deal of the year for 2015 and was previously recognized for his role on transactions awarded the Middle-Market M&A deal of the Year, the Middle-Market M&A Financing Deal of the Year and the Cross-Border Middle-Market Deal of the Year. Early in his career, Mr. Polk worked at Valuemetrics, 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
ltolliver@capstonellc.com • (312) 674-4532

Lisa has over 18 years of experience in the investment banking industry, primarily focused on advising middle market private business owners in liquidity related transactions. As a Director based in Capstone's Chicago office, she works closely with clients to advise and execute domestic and cross-border M&A transactions, recapitalizations and capital raises. Prior to Capstone, Lisa worked in the Capital Strategies Group at Morgan Stanley Smith Barney and also spent 10 years working for the middle market investment banking arm of Citigroup, where she was involved in the evaluation, marketing and closing of numerous transactions involving private businesses and corporate divestitures. Over her career, Lisa has developed M&A expertise in several industry sectors including technology-enabled business services, consumer products, ecommerce and government & defense. Lisa received her BA on academic scholarship from Illinois State University and is a Series 7 and 63 Registered Securities Representative.



Parker Dwyer, Associate
pdwyer@capstonellc.com • (312) 674-4533

Parker is an Associate in Capstone's Chicago office, working closely with private business owners to execute and optimize corporate finance transactions. Prior to joining Capstone, Parker was an Associate in Deloitte's Business Valuation practice, specializing in enterprise, equity and intangible asset valuations across multiple industries including consumer, industrials, manufacturing and healthcare. Parker received his BA in Finance from the University of Notre Dame and is a Series 79 and 63 Registered Investment Banking Representative.

CAPSTONE'S OFFICE LOCATIONS

BOSTON

176 Federal Street
3rd Floor
Boston, MA 02110
(617) 619-3300

CHICAGO

200 South Wacker Drive
Suite 3100
Chicago, IL 60606
(312) 674-4531

LONDON

42 Brook Street
London W1K 5DB
United Kingdom
+44 (0) 203 427 5068

LOS ANGELES

401 Wilshire
Suite 1200
Santa Monica, CA 90401
(858) 926-5950

NEW YORK

340 Madison Avenue
10th Floor
New York, NY 10173
(212) 634-0855

ORANGE COUNTY

23046 Avenida de la Carlota
Suite 600
Laguna Hills, CA 92653
(949) 460-6431

PHILADELPHIA

1515 Market Street
12th Floor
Philadelphia, PA 19102
(215) 854-4063

SAN DIEGO

12707 High Bluff Drive
Suite 200
San Diego, CA 92130
(858) 926-5950

SILICON VALLEY

228 Hamilton Avenue
3rd Floor
Palo Alto, CA 94301
(650) 319-7370

TAMPA

1550 W Cleveland Street
Suite 10
Tampa, FL 33679
(813) 251-7285

ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is an award-winning investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. Over the past 15 years, Capstone has earned a reputation as one of the most innovative firms in the industry, offering corporate sale & divestiture, merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. The firm maintains seven industry practices, including: Business Services, Consumer Products, Education & Training, Government & Defense Services, Health & Medical, Industrial & Manufacturing, and Technology & Telecom. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, New York, Orange County, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in 70 offices across 31 countries.

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



Capstone Partners

World Class Wall Street Expertise. Built for the Middle Market