WWEMA 109th Annual Meeting: Mergers, Acquisitions, and Growth
Current Marketplace, Trends & Outlook
Market Environment

DJIA, S&P 500, & NASDAQ Indexes vs. Powershare Water ETF
1-Year

10 Year Treasury

Source: Capital IQ and Boenning research.
General M&A Activity

Announced M&A Deals – U.S. Based Targets

Announced M&A Deals with Disclosed Transaction Values

LTM: Announced M&A Deals – Targets by Industry Sector

Source: Capital IQ and Boenning research.
General M&A Valuations

Announced M&A Deals with Disclosed Values by Size

<table>
<thead>
<tr>
<th>Deal Size Range</th>
<th>Medians - Enterprise Value Multiples</th>
<th>All Deals by Deal Size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TEV ($$)</td>
<td>Rev ($$)</td>
</tr>
<tr>
<td>10-25</td>
<td>16.6</td>
<td>21.9</td>
</tr>
<tr>
<td>25-50</td>
<td>35.3</td>
<td>35.3</td>
</tr>
<tr>
<td>50-100</td>
<td>68.6</td>
<td>71.9</td>
</tr>
<tr>
<td>100-250</td>
<td>145.2</td>
<td>135.5</td>
</tr>
<tr>
<td>Total</td>
<td>45.4</td>
<td>48.2</td>
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Lower Middle Market Equity Sponsor M&A

Industrials: Median EV / Revenue Multiples by Subsector

Industrials: Median EV / EBITDA Multiples by Subsector

Source: Capital IQ and Boenning research.
Water Market Drivers

- Important headline grabbing events are fueling opportunities
- Committed and pledged Government spending and dedicated programs along with new P3s support growth across the ecosystem
- More stringent regulation and compliance hurdles / favorable legislation (e.g. PA Act 12) support consolidation
- Q417/1H18 backlog/pipeline sentiment optimistic; Capital expenditures are increasing
- Top down fundamentals generally remain favorable for water space
  - Industrial and Construction multi-year sustained growth
  - Municipal steady with modest growth
  - Ag/Irrigation showing signs of life
- Smart metering, data analytics and energy efficiency on the innovation front, and cyber security on the business risk side are the current areas driving industry priorities
- Water related public markets taking notice of positive catalysts driving stock prices and their multiples at a faster pace than earnings

Source: Capital IQ and Boenning research.
Activity has followed overall market trend, but likely to end year on pace or slightly ahead of 2016

Mega deals abound as 2017 has seen 6 deals over $1b pushing total deal value over $17b vs. ~$6b in 2016

Majority of transactions are less than $50m in value

Source: Capital IQ and Boenning research. YTD is as of 10/30.
EBITDA multiple expansion is very encouraging and consistent with the current market dynamics.

Available data is spotty and does not account for a vast majority of completed transactions.

Successfully completed transactions generally involve above the median performers skewing reported multiples.

Impact of specific deal pressures, adjustments and synergies at play are hard to ascertain.

Boenning’s current guidance and outlook on valuation based on LTM EBITDA is:

- 5x – 7x – captures most companies after consideration for size, performance, diversification, growth, etc.
- 8x – 10x – For best of breed companies that hit a specific strategic cord with buyers.

Source: Capital IQ and Boenning research.

<8.0x for Deals <$500m in 2017

Every Deal is Different!
Deal Trends & Observations

- Big data/technology and smart water solutions continue to attract buyers (Innovyze, Sensus, D-Flow)
- Diversified portfolio of solutions among industrial/municipal (Fluence)
- Scope of strategic buyers widening (Markel Corp)
- Foreign buyers continue to focus on U.S Assets to gain a foothold (MetaWater, Suez, Rotoplas, Mexichem)
- Foreign buyers using <100% stakes in transaction structures
- IPOs as alternatives to sale exits (ADS, Forterra, AquaVenture Holdings, Evoqua (Priced @ $18 a share 11/2/17))
- Private equity buyers increased level of activity vs. strategic buyers
- Alternative sources of capital continue to be important and needed players (Skion, Quebec Pension Fund)
- Significant opportunities for mid-sized niche players to achieve strategic, multiple enhancing roll-ups (TriWater, AquaVenture Holdings); Serves important roll to bridge the “Capital Paradox”
- Scale and awareness of sector focused funds will continue to set the pace (XPV, True North)
- Buyers, particularly strategics, are driven by very specific parameters focused around technology, geographic footprint, management quality, etc.
- Dearth of opportunities; Dichotomy of good opportunities that match buyers specific interests
- There will continue to be a tremendous amount of enthusiasm when good assets come to market; The seller’s market (for quality assets) shows no signs of abating