



Capstone Partners

Investment Banking Advisors

WATER INFRASTRUCTURE

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MERGER & ACQUISITION ACTIVITY

Despite a continuation of federal, state and municipal budget constraints, M&A activity in the infrastructure sector is off to a good start in 2014, as buyers continue to see long-term promise in the industry. Transactions were recorded in every product and service segment of the industry including companies that provide engineering & design, infrastructure products and services, supporting software & technology, and testing & compliance. All end-markets were also represented, with transactions involving companies that focus on the water, industrial, power, oil & gas, transportation and telecommunications markets. Many of the acquisitions in the water infrastructure space are concentrated among smaller to mid-sized target companies in the highly fragmented middle market.

Not surprisingly, M&A activity in some sectors has slowed, as a myriad of fiscal challenges continue to impact budgets & overall spending by municipalities. In some cases, exit plans and acquisitions were temporarily put on hold while sellers and buyers gauged the impact of government austerity measures. Although government spending is likely to remain constrained in the near future, Capstone believes the water infrastructure industry has a bright future.

Going forward, we expect M&A activity in the water infrastructure industry to be supported by positive market fundamentals. These include healthy transaction valuations for successful businesses and interest from a diverse group of buyers. Corporate buyers continue to search for targets that help them build out their capabilities and geographic footprints, and many active strategic acquirers have large positions of cash on their balance sheets. Active corporate buyers in the industry include Oldcastle Precast, which acquired KriStar Enterprises in January 2014; U.S. Water Services, which acquired Chemical Inc. in February and announced another acquisition in May; and The Coca-Cola Company with its investment in WaterHealth International in May.

At the same time, private equity firms are attracted to the excellent growth potential of the water industry and they continue to make both platform and add-on acquisitions in the sector. As a group, these firms are supported by abundant private equity capital, available and affordable debt financing and a modestly expanding US economy. Generally speaking, private equity groups look for investments with good market visibility, excellent growth potential, a track-record of profitable growth and a strong management team. Several private equity firms have recently shown interest in the water sector, including Mason Wells which acquired Aquion, Inc. in December; Excellere Partners, with its March acquisition of G2 Partners; Sun Capital, which acquired Aclara Technologies in March; and Levine Leichtman Capital Partners, with its acquisition of Technisys in April.

Foreign buyers are also active in the sector. Water is a global business and US companies make for attractive acquisition targets, offering access to a strong domestic market and in many cases leading technologies that can be deployed worldwide.

NOTABLE TRANSACTIONS

Several notable transactions in the water infrastructure industry have already been recorded in 2014. A selection of these are profiled below, followed by a more comprehensive list of transactions in the sector.

The Coca-Cola Company makes a minority investment in WaterHealth International (May 2014) – WaterHealth International provides decentralized water purification, operating more than 500 water purification plants in five countries providing sustainable safe drinking water access to about 5 million people. The investment by Coca-Cola will further support the build-up of WaterHealth’s sustainable model to provide safe water to underserved communities and will help to accelerate the placement of new WaterHealth Centers globally.

“Safe water is critical for all. It’s vital to the health of people and communities, it’s essential to economic prosperity, and it’s the lifeblood of our business,” said Bea Perez, Chief Sustainability Officer, The Coca-Cola Company. “Through the Child With Water program, we can help keep children hydrated, active and healthy so they can thrive in school and in their communities. We believe this program has the potential to help transform communities through safe water consumption, safe water handling and safe hygiene practices. WaterHealth International is an ideal partner to implement the program because of their proven model and capability of providing safe water to communities. The results will have a lasting impact on the communities we serve.”

Sensus acquires Verdeeco (April 2014) – Sensus, a provider of clean technology solutions for the intelligent use and conservation of energy and water, has enhanced its data analytics portfolio by acquiring Verdeeco, a smart grid analytics company offering big data solutions for electric, water and gas utilities. Verdeeco will remain a separate brand but operate as part of Sensus. The Verdeeco suite of products, services and applications enables utilities to aggregate data from smart meters, SCADA systems and customer billing software, news services and a myriad of other sources. All of the applications are hosted in a secure cloud by Verdeeco’s Grid as a Service™ platform. Cloud-based management offers a lower upfront capital investment, a reduced cost of ownership and enables the utility to take advantage of new software functionality and utilities can maximize the value of their investment in communication networks and advanced network applications through data analytics that improve operations, reduce cost and enhance customer service.

“The importance of data in our industry revolves around not only the ability to gather it from disparate sources, but to generate actionable insights that help utilities realize greater value from their technology investments,” said Sensus President Randy Bays. “Our customers can select from individual applications that satisfy a specific need and know that the platform exists for adding more applications in the future.” Verdeeco CEO Brian Crow, added “We are thrilled to join the Sensus family and broaden our platform to deliver even more benefits to current and future customers. The acquisition further validates our ability to deliver innovative solutions to the utility industry.”



NOTABLE TRANSACTIONS

Sun Capital Partners acquires Aclara Technologies from ESCO Technologies Inc. (March 2014) – Aclara is a leading vendor of advanced meter infrastructure solutions, predominately deployed by U.S. electric, gas and water utilities. AMI includes the two-way communication device within a meter, as well as the supporting network infrastructure for “smart” meters that allow utilities to remotely extract real-time consumption data and interact with their customers. By upgrading to AMI, utilities can lower their costs by eliminating the need for manual readings, as well as improve the efficiency of their networks. Headquartered in St. Louis, Missouri, Aclara services more than 600 utility customers with over 21 million endpoints deployed.

Aclara’s core business in smart metering has slowed in recent years as the North American market experienced a downturn. In early 2013, Aclara purchased the assets of Metrum Technologies, a Texas-based company that provides public network communications products for utilities, in order to beef up its advanced metering communication offerings, which already included powerline and RF mesh. Even with the acquisition, however, Aclara has struggled to expand.

“Aclara is a strong organization that is well suited to capitalize on future opportunities as a standalone business,” said Marc Leder, Co-Chief Executive Officer at Sun Capital. “We look forward to working with management, as our deep experience in transitioning successful corporate subsidiaries into thriving independent enterprises will enable Aclara to build on its leading market position.” Sun Capital Partners, Inc. is a private equity firm. It has invested in Aclara through its affiliate, Meter Readings Holding, LLC.

Private equity firm Excellere Partners acquires G2 Partners (March 2014) – G2, headquartered in Houston, specializes in providing integrity and risk management solutions, including pipeline data and records management, pipeline and facilities integrity engineering, GIS and systems engineering, regulatory compliance support, strategic consulting and environmental and water resources planning. Simultaneously, Excellere acquired Frontline Energy Services and will combine the two companies to form an integrity and risk management solutions provider focused on serving the energy and utility industries. The combined company employs more than 275 professionals and has three office locations nationwide. Excellere partners with middle-market entrepreneurs and management teams. As part of the merger, the founders and entire senior management teams of both companies will remain in place to manage and drive growth in service offerings.

Excellere will seek to add complementary capabilities, extend the geographic footprint and expand the customer base of the combined company through a targeted buy-and-build strategy. David Kessenich, Excellere co-founder and managing partner said, “We look forward to partnering with Frontline and G2 as we build upon the companies’ established leadership position within its respective market. We are focused on enhancing the value proposition that the combined company will provide for customers through a combination of strategic, organic growth initiatives and complementary acquisitions.”



NOTABLE TRANSACTIONS

US Water Services acquires ChemCal (January 2014) – ChemCal, located in Grapevine, Texas, is an industrial water treatment firm focusing in the oilfield and manufacturing sectors, and generating about \$25 million in revenues. ChemCal supplies chemical products, equipment and services to manage deposits, corrosion and biological fouling in water systems for a wide variety of industries.

The transaction is US Water's largest acquisition to date and brings the company's revenues to \$125 million. Private equity firm Excellere Partners has a large stake in US Water. According to Paul Turgeon, an external board member, this transaction extends the company's geographic reach within the US, taking it into the last major region it did not already cover, as well as adding new technological capabilities.

This acquisition was followed by another in May, 2014, when US Water Services announced the acquisition of Water Chemical Service, a provider of water treatment chemical and engineering services for the Eastern United States. US Water's acquisition includes the corporate headquarters and production facility in Aberdeen, MD, and surrounding sales territories. The acquisition enhances Water Chemical Services' product offering, adding pathogen control capabilities, and extends US Water's geographic footprint.

Oldcastle Precast acquires KriStar Enterprises Inc. (January 2014) – Oldcastle Precast Inc., a leading solutions provider for North American infrastructure projects, acquired the assets of KriStar Enterprises Inc. The purchase included three manufacturing locations in California and all related intellectual property. KriStar was founded in 1993 and develops innovative stormwater management products that meet the rigorous and evolving demands of federal, state and local regulations. Oldcastle Precast will focus on marketing these solutions to regulators, owners and civil and environmental engineers nationwide. This acquisition allows Oldcastle Precast to offer a full line of water conveyance, storage and treatment products to the marketplace. This acquisition follows Oldcastle Precast's successful launch of StormCapture detention and retention products and will provide an entire treatment solution that civil engineers, owners and contractors are demanding.

"This acquisition will strengthen Oldcastle Precast's position in stormwater management throughout the US," said Ray Rhees, Oldcastle Precast National Sales President. "It will accelerate our ability to offer hydrodynamic separators, media filtration, drain inlet protection and LID products across the nation." Douglas Allard, CEO and president of KriStar added, "KriStar Enterprises is looking forward to being a part of the Oldcastle Precast family. The joint collaboration combines the expertise and experience of the national sales, engineering and marketing teams of both Oldcastle and KriStar and will only serve to enhance the customer service experience." Dave Steevens, President of Oldcastle Precast added, "The addition of these well-known brands and proven technologies, combined with our commitment to leadership in stormwater management, will allow owners and engineers a single source for design and selection of the optimal stormwater solutions for their projects."



SELECT WATER INFRASTRUCTURE M&A TRANSACTIONS

Date	Target	Acquiror	Target Business Description	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
May-14	WaterHealth International, Inc.	The Coca-Cola Company (NYSE:KO)	Develops & operates water purification systems that provide potable water to underserved communities.	-	-	-
Apr-14	Maine Industrial Repair; Schulz	Timken Co. (NYSE:TKR)	Provides new electric motors and repairs to municipal waste water treatment plants and others.	\$12.0	0.7x	-
Apr-14	Technisys, Inc.	Levine Leichtman Capital Partners	Provides equipment and engineering services for the water treatment and other industries.	-	-	-
Apr-14	Verdeeco, Inc.	Sensus, Ltd.	A smart grid analytics company, provides energy data solutions for water utilities and other markets.	-	-	-
Mar-14	Frontline Energy Svcs; G2 Partners	Excellere Partners	Provides integrity & risk management solutions and environmental and water resources planning.	-	-	-
Mar-14	Aclara Technologies LLC	Sun Capital Partners	Designs utility management communications systems for water, gas and electric utilities.	\$129.8	-	-
Mar-14	Max Seal, Inc.	Trelleborg Industrial Solutions	Manufactures pipe seals, gaskets and other products for the water works industry.	-	-	-
Mar-14	AK Environmental, LLC	NV5 Holdings, Inc. (NasdaqCM:NVEE)	Provides environmental, project mngmt. and inspection services for energy, water and construction industries.	\$7.0	-	-
Mar-14	21st Century Innovations Inc.	APTech Group, Inc	Manufactures biocides for the water treatment marketplace.	-	-	-
Mar-14	Alpha Reclaim Technology, LLC	BNN Energy LLC	Operates reclaimed water facilities that provide treated wastewater effluent for industrial uses.	-	-	-
Mar-14	E3 Services and Solutions LLC	Worldwide Internet Inc. (OTCPK:WNTR)	Develops technologies for water reclamation projects in oil & gas, mining and industrial pollution industries.	-	-	-
Mar-14	SyncroFlo, Inc.	SPP PUMPS INC.	Manufactures water pumps for the commercial and municipal markets.	-	-	-
Feb-14	Daniel C. Baker Associates, Inc.	Larson Design Group, Inc.	Provides consulting services including engineering, surveying, planning and sewage enforcement services.	-	-	-
Feb-14	Wyse Meter Solutions Inc.	PowerStream Energy Services Inc.	Provides sub-metering solutions for the electrical, water and natural gas markets.	-	-	-
Feb-14	Fremming Parson & Pecchenino Inc.	Quad Knopf, Inc.	Offers surveying services for water and wastewater system design.	-	-	-
Feb-14	Russell Corrosion Consultants, Inc.	EN Engineering L.L.C.	Provides a wide range of water corrosion control engineering and consulting services.	-	-	-
Feb-14	h2oinmotion, Inc.	Mead & Hunt, Inc.	Provides water and wastewater contract operations, management, consulting and training services.	-	-	-
Feb-14	Chemcal, Inc.	U.S. Water Services, Inc.	Manufactures water treatment solutions for the industrial, commercial and institutional markets.	-	-	-
Feb-14	Griffin Pipe Products Co., Inc.	United States Pipe and Foundry Company, LLC	Manufactures and supplies water transmission products for contractors and municipalities in North America.	-	-	-
Feb-14	Water Street Solutions LLC	Advanced Water Recovery	Markets industrial water and wastewater treatment systems.	-	-	-
Jan-14	TZA Water Engineers, Inc.	Larkin Lamp Rynearson	Engages in the development, protection and management of water resources.	-	-	-
Jan-14	Niagara Conservation (Division)	AM Conservation Group, Inc.	Manufactures products that reduce electricity and water bills for utilities and government customers.	-	-	-
Jan-14	EMCOR Energy Services, Inc.	TRC Companies Inc. (NYSE:TRR)	Provides energy services to utilities, energy service companies and facility owners and managers.	-	-	-
Jan-14	Evoqua Water Technologies LLC	AEA Investors LP	Offers water and wastewater treatment products, systems and services for industrial and municipal customers.	\$865.4	-	-
Jan-14	KriStar Enterprises, Inc.	Oldcastle Precast, Inc.	Manufactures storm water management products and specialty filtration systems.	-	-	-
Dec-13	Aquion, Inc.	Mason Wells	Manufactures residential & commercial water treatment equipment.	-	-	-

LTM = last twelve months; EV = enterprise value

Sources: Capstone Partners LLC research; Capital IQ; public filings and press releases

CAPSTONE PARTNERS: SELECTED INFRASTRUCTURE TRANSACTIONS

Capstone Partners maintains an active 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 infrastructure companies with real-time transaction feedback and immediate access to key decision makers among the industry's most active acquirers and investors.

VAPOR POWER INTERNATIONAL

has been acquired by



WACHS E.H. WACHS
Superior Equipment. Complete Support.

has been acquired by



CASCADE DRILLING, INC.

has recapitalized with



ATRIOT Antenna Systems

has been acquired by



IKEX Incorporated

has been acquired by



E-Mon
a division of HUNT CAPITAL.

has been acquired by



EXPLORATION & WELLS WDC

has recapitalized with



BISCO
Irrigation and Pumping Equipment

valuation & financial advisory

BOSTON IRRIGATION SUPPLY COMPANY

REALTIME Utility Engineers

has been acquired by



Dankoff Solar

has been acquired by



HDM

has been acquired by



Jarex Distribution LLC

has been acquired by



L-com

has recapitalized with



Antel
INTERNATIONAL, INC.
The Advanced Technology Company

has been acquired by



Milestek

has been acquired by

CASTLE ISLAND PARTNERS, LLC

CONFIDENTIAL CLIENT

is pursuing a corporate sale and is currently in market

WATER DISTRIBUTION SYSTEM SOLUTIONS

THE INFRASTRUCTURE TEAM



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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 corporate sale & divestiture, merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. Capstone maintains various industry specialties including one in the Infrastructure sector. The firm also has a merchant banking capability to actively co-invest in transactions. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, Philadelphia, San Diego and Silicon Valley.

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



Capstone Partners
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World Class Wall Street Expertise. Built for the Middle Market.