













The Water & Wastewater Market: A Rising Tide of Controls & Automation and Cybersecurity Mergers & Acquisitions Activity

The Water & Wastewater market has demonstrated and continues to exhibit an increasing adoption of controls & automation solutions to address mission-critical needs. This market demand for technology and talent is creating a wave of investment and Mergers & Acquisitions activity, resulting in an evolving competitive landscape.

Notable Transactions	ACQUIRER / INVESTOR	SELLER
MARKET SEGMENT		
Cybersecurity		
Controls & Automation Technology / Cybersecurity		
Controls & Automation Manufacturing		
Control System Integration		
Control System Integration		
Controls & Automation Technology		

BUNDY GROUP

There are many examples of controls solutions that can be found in the Water & Wastewater market today, including SCADA ⁽¹⁾, PLC ⁽²⁾, DCS ⁽³⁾, and IoT ⁽⁴⁾ systems. Furthermore, there are a range of cybersecurity systems that are constantly being developed and instituted to safeguard the control systems and other aspects of a Water & Wastewater network. These technology-driven monitoring and security systems allow municipalities, private water management companies and other key players in the Water & Wastewater market to accomplish many goals, including:

- Monitor key systems within a water network, including pump stations, elevated storage tanks, lift stations and floodgates.
- Minimize engineer and staff time devoted to commodity tasks, such as driving to a pump station to check on the operating status of that location.
- Provide comprehensive cybersecurity measures, which allow a client to more effectively safeguard its facilities and water network from external threats and meet regulatory obligations.

- Allow a client to save money through energy management control systems. This includes monitoring power, energy usage and real time pricing to intelligently control site on-site generators.

John Freebody, Chief Financial Officer with Inframark, a nationally focused water infrastructure operations company, offered his thoughts. “Automation is a key ingredient in driving efficiency and accuracy. SCADA can be a critical component in helping to drive a high-quality operation,” John stated. Furthermore, John indicated that, “At Inframark we are very keen to leverage these platforms wherever possible to complement our standard operating procedures to maintain a safe and secure environment for our most critical resource.”

The growing demand for controls & automation and cybersecurity measures is also creating a wave of investment and acquisitions in this niche offering for the Water & Wastewater space. Active entities seeking to acquire include both industry (i.e. strategic) buyers and financial investor (i.e. private equity) buyers.

There are numerous reasons for the substantial increase in Mergers & Acquisitions activity for controls & automation and cybersecurity companies focused on the Water & Wastewater market:

- Buyers are usually most interested in investing in growth-oriented markets. The U.S. Water & Wastewater market, approximately \$743.7 billion market ⁽⁵⁾ in 2019, is anticipated to grow to \$914.9 billion by 2023 ⁽⁶⁾. Additionally, the global industrial automation market is expected to reach \$352 billion in 2024 relative to a 2015 market size of \$183 billion (i.e. a 6.6% Compounded Annual Growth Rate)⁽⁷⁾. Finally, cybersecurity markets globally are increasing at a 14.3% compounded annual growth rate from just over \$3 billion in 2017 to approximately \$4 billion in 2019...and projected to reach \$6 billion in 2022⁽⁸⁾.
- The aging water infrastructure, the increasing cybersecurity threats on water networks, and the regulatory burdens placed on municipalities and private water management companies provide buyers with confidence in the long-term viability of controls & automation solutions to the Water & Wastewater market.

Gary Mintchell, Founder of The Manufacturing Connection, a controls-focused consulting company commented that, “The EPA has been driving mandatory water and wastewater upgrades in Ohio where I live. City engineers have been telling me about the search for control system integrators who are not only technology experts but who also can manage projects on time and on budget.”

- The fragmented nature of the Controls & Automation market, including and especially with control system integrators servicing the Water &

Wastewater market, provides buyers with the opportunity to scale up by acquisition. This means that buyers can purchase other industry participants, which are usually smaller in size but plentiful in the market in terms of numbers, as add-on acquisitions to the buyer's existing platform.

- There is a massive demand for technology and talent as relates to controls and cybersecurity offerings, and companies that have developed proprietary technology systems and seasoned talent are especially valuable in the market.

Dave Thomas, President & CEO of SJE, a global manufacturing and services firm focused on the water space, indicated that, "Controls & automation needs are increasingly becoming more complex and customized. Very few providers have proficiency across the broad range of technology platforms and required services available in this market." Furthermore, he indicated that SJE "has leveraged our recent acquisitions to add expertise and capabilities that would be nearly impossible to develop organically."

With the continued growth of the Water & Wastewater market, and the industry's adoption of controls and cybersecurity measures accelerating, the pace of Mergers & Acquisitions activity is anticipated to grow even further.

Mason Miller, CEO of and investor in Dorsett Technologies, a controls & automation technology firm for the Water & Wastewater market, contributed his thoughts on Mergers & Acquisitions activity. "The business strategy of water is changing from a focus on short term budget cycles and shifting to a more comprehensive approach that emphasizes life-cycle infrastructure costs, which in turn requires a more sophisticated approach to controls & automation, one that emphasizes data collection, analysis and management to assist with capital planning decisions." Mason further added that, "As a result, the fragmented SCADA control market will increasingly be consolidated by value-added infrastructure companies like ourselves, who can pair the technology solutions with the capital and analytical capability to provide turn-key solutions to municipal, state and federal customers."

Gary Mintchell advised water & wastewater organizations to "look beyond IoT as merely connected sensors and not get sucked into the hype. Everything involving data from the source to the database to analytics to visualization are important to a successful water & wastewater control implementation."

Whether a company is a control system integration firm, an IoT sensor manufacturer, a controls & automation software-as-a-services company or a cybersecurity technology organization, the increasing presence of strategic and

private equity buyers will have profound ramifications on the value of those potential acquisition and investment opportunities.

- (1) Supervisory Control and Data Acquisition
- (2) Programmable Logic Controller
- (3) Distributed Control System
- (4) Internet of Things
- (5) "Outlook of the Global Water and Wastewater Market, 2019" Frost & Sullivan: June 2019.
- (6) "Growth Expected for Global Water Market and Wastewater Recovery" Water Technology. November 2018.
- (7) "Industrial Automation Report" Transparency Market Research (September 2017).
- (8) Montague, Jim. "Do the cybersecurity to-do list" Control Engineering Magazine. July 2019.

Clint Bundy is a Managing Director with Bundy Group, a boutique investment bank. Clint has over a decade of experience representing Water & Wastewater, Controls & Automation, IoT and Cybersecurity companies in business sales, capital raises and acquisitions. Clint can be reached at clint@bundygroup.com or at 704-942-8300.

