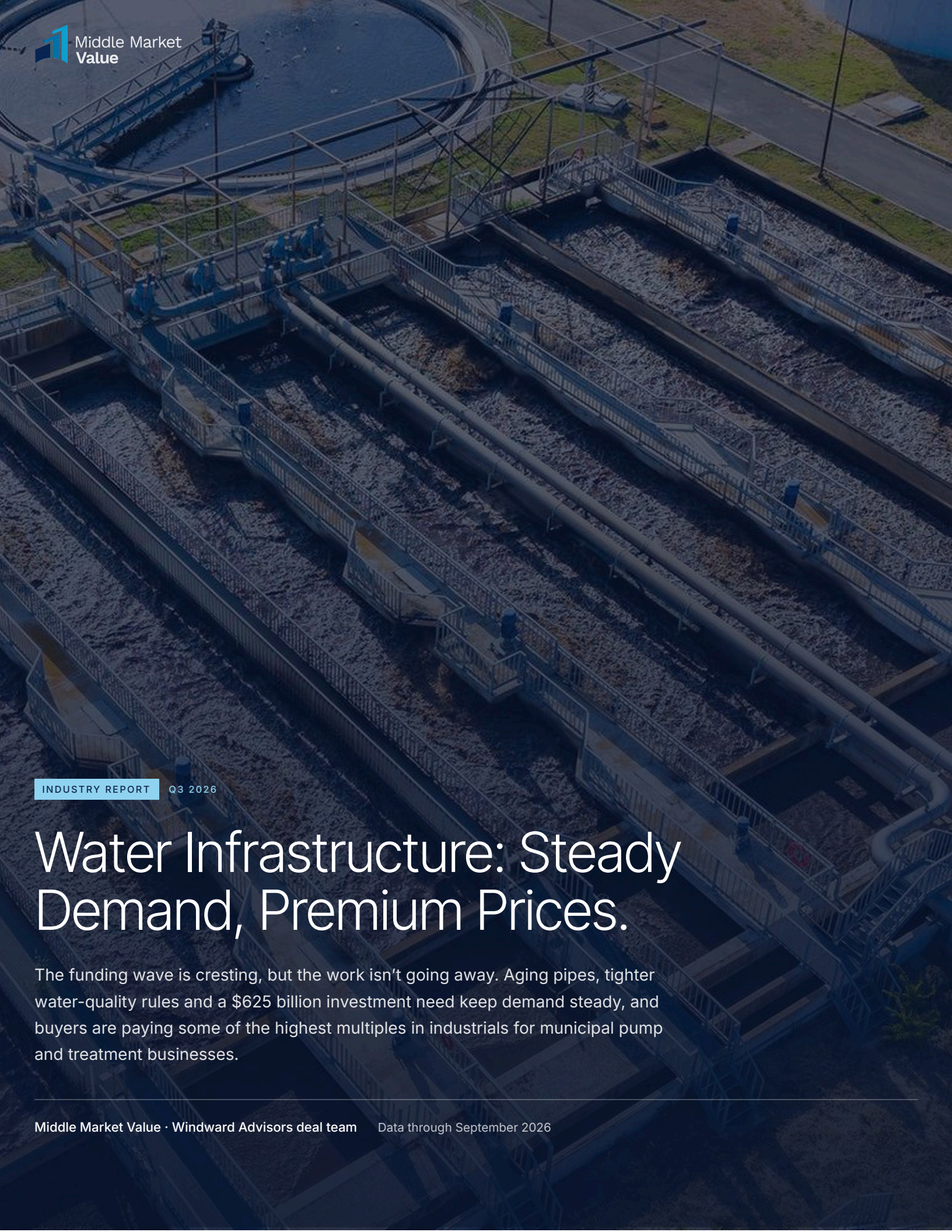


Middle Market Value

INDUSTRY REPORT Q3 2026

Water Infrastructure: Steady Demand, Premium Prices.

The funding wave is cresting, but the work isn’t going away. Aging pipes, tighter water-quality rules and a $625 billion investment need keep demand steady, and buyers are paying some of the highest multiples in industrials for municipal pump and treatment businesses.

Middle Market Value · Windward Advisors deal team

Data through September 2026

20-YEAR INVESTMENT NEED

$625B

For U.S. drinking water systems alone, up 32% from the prior survey.[1]

WATER UTILITY REVENUE

$130.9B

2026 estimate, after growing 5.2% a year since 2021.[3]

WATER & SEWER CONSTRUCTION

$74.1B

2026 contractor revenue, forecast to reach $83.3B by 2031.[4]

Q3 EQUIPMENT DEAL MULTIPLES

10.5–17x

EBITDA, as disclosed by buyers in four strategic acquisitions.[8]

WHAT WE'RE SEEING

Four forces shaping the market.

The funding wave is cresting

The Bipartisan Infrastructure Law pushed more federal money into drinking water than the previous quarter-century combined. That advance funding has now run out, and Congress is debating how much to put into the State Revolving Funds going forward. Projects already funded will keep crews busy, but growth is expected to slow.[25]

The need hasn't shrunk

Federal funding covers a fraction of what's required. Two-thirds of the $625 billion need is in distribution and transmission: pipes, mains and the pumping that moves water through them. Wastewater earned a D+ from the American Society of Civil Engineers, and cities under federal consent decrees can't defer sewer work.[15]

PFAS: the target is set, the timeline is moving

EPA has kept its limits on PFOA and PFOS but in May 2026 proposed pushing compliance from 2029 to 2031 and rescinding limits on four other PFAS compounds. Neither proposal is final, and the rule is being challenged in court. Either way, many utilities will need new treatment, and testing demand is already rising.[97]

Costs are up, and so is consolidation

Ductile iron pipe and concrete costs have climbed about 6.8% a year since 2021, and 50% steel and aluminum tariffs are pushing equipment prices higher. Larger players are responding by buying: investor-owned utilities are acquiring small systems, and private equity platforms are rolling up contractors, reps and distributors.[46]

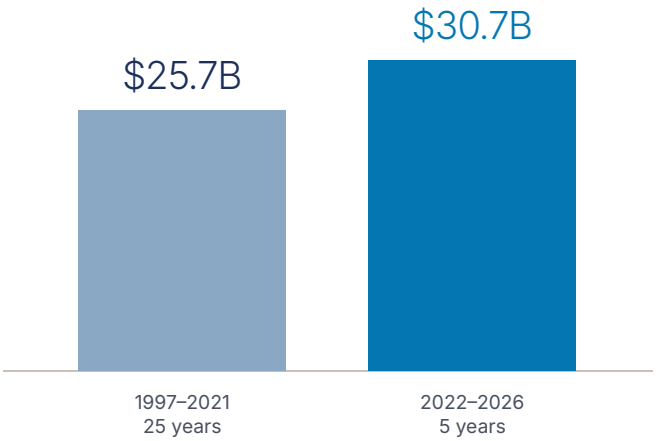
WHO'S SPENDING · UTILITIES

A record funding wave, now tapering.

Federal allotments to the Drinking Water State Revolving Fund over five years exceeded the previous 25 years combined. Utilities have also raised rates above inflation and are spending on lead service line replacement, PFAS treatment and drought resilience.[23]

IBISWorld expects utility revenue growth to slow to about 1.1% a year through 2031 as one-time rate resets fade and federal supplements roll off. Regulation keeps a floor under spending and favors operators with access to capital, so consolidation of small and struggling systems is likely to continue.[3]

Drinking Water State Revolving Fund allotments



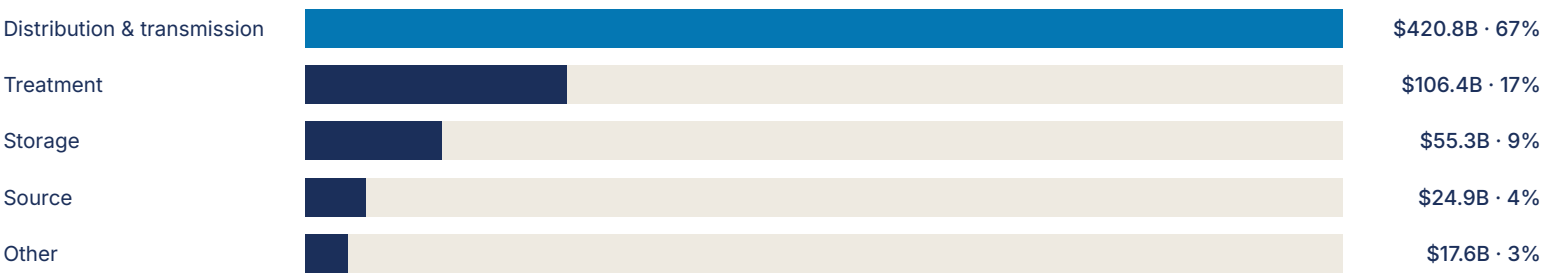
Total national and territory allotments. Source: U.S. EPA.[2]

WHO'S BUILDING · CONTRACTORS & ENGINEERS

Most of the need is underground.

EPA's latest needs survey puts two-thirds of the 20-year requirement in distribution and transmission. Contractors have passed rising material costs through to bid prices, and the work is shifting from new pipe toward treatment plants, rehabilitation and trenchless repair.[14]

20-year drinking water need by project type



7th Drinking Water Infrastructure Needs Survey and Assessment. Source: U.S. EPA.[1]

WATER & SEWER LINE CONSTRUCTION

$74.1B

Up 3.4% a year since 2021; 3.9% profit margin. Aging systems, lead line replacement and data-center growth point to a long project pipeline.[4]

SEWER & PIPELINE REHABILITATION

$20.5B

Part of the construction total. Revenue jumped 6.3% in 2024 and 7.9% in 2025, then stalled in 2026 as advance federal funding ended.[5]

ENGINEERING & TESTING

PFAS + lead

Testing labs are adding PFAS and lead-sampling capacity, and engineering firms are drawing on infrastructure funding for water design work.[7]

WHO'S SUPPLYING · PUMPS & EQUIPMENT

The steadiest corner of a cyclical industry.

Pump and compressor makers sell mostly to manufacturing and energy customers, whose spending swings with the economy. Municipal water and wastewater orders are different: IBISWorld notes they "barely move with the broader economy," cushioning manufacturers against energy-market cycles.[6]

The installed base is the asset

Mission-critical pumps run for decades and generate recurring service, repair and replacement revenue. That aftermarket stream is what buyers paid for in this quarter's deals.[8]

Tariffs reshuffle the field

Duties on imported pumps have narrowed foreign producers' long-held price advantage, while tariff-inflated steel raises costs for domestic makers.[6]

Engineered solutions win

Utilities increasingly buy designed systems, not just equipment. Firms that engineer the solution and supply the equipment are being consolidated by strategic and PE-backed buyers.

CLIENT PERSPECTIVE

Windward recently advised a designer and supplier of large pumps and related equipment for municipal and industrial water markets on its sale to a private equity-backed platform.

“Windward provided essential financial analytics and advisory services needed to obtain the highest value for our business, and facilitated a smooth and successful transaction. We are very pleased with the result, and it was a pleasure working with Steve Howell and Greg Waller, who are both highly experienced and consummate professionals.”

— Owner, municipal and industrial pump company

DEAL ACTIVITY · Q3 2026

Notable Q3 2026 transactions.

Most deals this quarter didn’t disclose terms, but the pattern is clear. Private equity platforms kept adding regional reps, contractors and service providers, and four public strategics bought water-equipment businesses at disclosed EBITDA multiples of roughly 10.5x to 17x.

DATE	BUYER	TARGET	VALUE	NOTES
Sep 18	H2O Care Partners	Universal Water Systems	Undisclosed	One of two add-ons announced the same day
Sep 18	H2O Care Partners	Certain Services	Undisclosed	Add-on
Sep 14	Crane Company	Trillium Flow Technologies’ U.S. pump business Floway, Wemco, Roto-Jet, WSP · municipal water & wastewater	~$240M	~$115M revenue · ~14.6× 2026E adj. EBITDA
Sep 3	ESS Companies	Barrows Excavation	Undisclosed	—
Sep 1	Kyocera Ventures Kyocera Corporation	VVater Water treatment, Austin, Texas	Undisclosed	Strategic investment
Aug 19	Veralto	Cleanwater1 On-site disinfection, solids & odor control · ~25% aftermarket	$465M	~$135M LTM sales · ~17x LTM adj. EBITDA, net of tax benefits
Aug 12	Azuria Water Solutions New Mountain Capital	Patterson Professional Services Texas	Undisclosed	Add-on

DATE	BUYER	TARGET	VALUE	NOTES
Aug 11	**Xylem**	Cornell Pump and Roper Pump From Indicor · includes municipal water applications	$1.46B	>$260M 2026E revenue · >30% EBITDA margin · ~11.6× 2026E EBITDA after synergies and tax benefits
Aug 11	**Integrated Water Services** Sciens Water	Advanced Equipment and Services Reverse osmosis and desalination systems, Houston	Undisclosed	Closed Aug 7
Aug 7	**Puris**	Amici Engineering Contractors	Undisclosed	—
Aug 6	**United Flow Technologies** Berkshire Partners	Iron Horse Environmental	Undisclosed	Add-on
Aug 3	**Apollo funds**	Maverick Water Group Non-potable water systems in Texas · from Crosstimbers Capital	Undisclosed	—
Jul 29	**Pentair**	Taco Group Holdings Pumps, valves and hydronic systems	~$1.4B	~$540M 2026E revenue · ~10.5× 2026E EBITDA incl. tax benefits and synergies
Jul 28	**Xylem**	WaterFleet Mobile water & wastewater services, San Antonio · from EagleTree Capital	~$200M	—
Jul 24	**WSP**	Arcadis Global engineering firm with a major water practice	€51.50/share	Non-binding proposal
Jul 17	**United Flow Technologies** Berkshire Partners	Peterson and Matz Municipal and industrial manufacturers' rep, Michigan	Undisclosed	Add-on

Multiples are as disclosed by buyers; several are forward-looking or include expected synergies and tax benefits, so they aren't directly comparable to LTM multiples. Not an exhaustive list. Sources: S&P Capital IQ transaction screen; company press releases; Water Online; Modern Distribution Management.[8]

VALUATION BENCHMARKS

How public water companies are priced.

Public water technology companies trade at a median of about 13.4x LTM EBITDA and 3.1x revenue, down from roughly 17x a year earlier. Water distributors trade at a median of about 14.1x EBITDA, though on much thinner margins. The strategic deals above were priced at or above that level, a sign buyers will still pay up for municipal equipment with a strong installed base. Utilities are shown separately because regulators set their returns. Private, lower-middle-market companies typically trade below these public benchmarks.

COMPANY	ENTERPRISE VALUE ($M)	LTM REVENUE ($M)	REV. GROWTH	EBITDA MARGIN	EV / REVENUE	EV / EBITDA
WATER TECHNOLOGY						
Advanced Drainage Systems (WMS)	11,446	3,222	10.4%	29.4%	3.6x	12.1x
A. O. Smith (AOS)	8,588	3,805	0.4%	20.6%	2.3x	11.0x
Badger Meter (BMI)	3,667	881	0.8%	22.3%	4.2x	18.6x
Crane Company (CR)	12,401	2,591	16.3%	28.8%	4.8x	16.6x
Franklin Electric (FELE)	4,644	2,212	7.4%	16.0%	2.1x	13.1x
Gorman-Rupp (GRC)	2,142	702	4.2%	19.0%	3.1x	16.1x
Hayward Holdings (HAYW)	3,088	1,167	7.8%	26.2%	2.6x	10.1x
Mueller Water Products (MWA)	3,391	1,479	5.9%	24.4%	2.3x	9.4x
Pentair (PNR)	10,115	4,012	(2.1%)	25.8%	2.5x	9.8x
Veralto (VLTO)	26,186	5,696	6.2%	24.4%	4.6x	18.8x
Watts Water Technologies (WTS)	11,818	2,677	17.1%	21.7%	4.4x	20.3x
Xylem (XYL)	26,545	9,126	4.5%	21.7%	2.9x	13.4x
Zurn Elkay Water Solutions (ZWS)	8,099	1,787	10.7%	26.1%	4.5x	17.4x
Median	**8,588**	**2,591**	**6.2%**	**24.4%**	**3.1x**	**13.4x**
WATER DISTRIBUTION						
Core & Main (CNM)	10,171	7,698	(0.5%)	12.1%	1.3x	10.9x

COMPANY	ENTERPRISE VALUE ($M)	LTM REVENUE ($M)	REV. GROWTH	EBITDA MARGIN	EV / REVENUE	EV / EBITDA
DXP Enterprises (DXPE)	3,319	2,139	11.5%	11.0%	1.6x	14.1x
Ferguson Enterprises (FERG)	50,379	31,446	0.0%	9.8%	1.6x	16.4x
Median	**10,171**	**7,698**	**0.0%**	**11.0%**	**1.6x**	**14.1x**
WATER UTILITIES						
American States Water (AWR)	4,191	697	13.2%	39.8%	6.0x	15.1x
American Water Works (AWK)	42,826	5,284	6.9%	55.1%	8.1x	14.7x
California Water Service (CWT)	4,510	1,054	6.4%	34.3%	4.3x	12.5x
Essential Utilities (WTRG) Pending merger with American Water	20,159	2,569	9.9%	52.6%	7.8x	14.9x
Middlesex Water (MSEX)	1,457	206	5.3%	47.1%	7.1x	15.0x
York Water (YORW)	688	83	9.4%	54.5%	8.3x	15.1x
Median	**4,351**	**876**	**8.2%**	**49.8%**	**7.5x**	**15.0x**

LTM = last twelve months. Source: S&P Capital IQ, as of October 21, 2026.[10]

WHAT THIS MEANS IF YOU OWN A WATER BUSINESS

Buyers aren’t paying for the funding cycle. They’re paying for the installed base, the engineering know-how and the customer relationships that outlast it.

Document your recurring revenue

Service, parts and replacement work is what earned the highest multiples this quarter. Track it separately and show its growth.

Show your engineering edge

Design capability and long manufacturer relationships are hard for buyers to replicate. Make sure they don’t depend on one person.

Know who’s buying

Strategic manufacturers, PE-backed platforms and distributors all value a water business differently. The right buyer pool matters as much as timing.

SOURCES & NOTES

1. U.S. EPA, 7th Drinking Water Infrastructure Needs Survey and Assessment (2023).
2. U.S. EPA, Annual Allotment of Federal Funds for States, Tribes and Territories (Drinking Water State Revolving Fund).
3. IBISWorld, *Water Supply & Irrigation Systems in the US* (NAICS 22131), September 2026.
4. IBISWorld, *Water & Sewer Line Construction in the US* (NAICS 23711), September 2026.
5. IBISWorld, *Sewer & Pipeline Rehabilitation in the US* (OD4709), October 2026; American Society of Civil Engineers, 2025 Report Card for America’s Infrastructure.
6. IBISWorld, *Pump & Compressor Manufacturing in the US* (NAICS 33391), September 2026.
7. IBISWorld, *Water & Air Quality Testing Services in the US* (OD6068), August 2025.
8. S&P Capital IQ M&A transaction screen, as of October 21, 2026; company press releases (Crane Company, Veralto, Xylem, Pentair, Apollo, Kyocera, Integrated Water Services, United Flow Technologies, WSP); Water Online; Modern Distribution Management.
9. U.S. EPA, PFAS National Primary Drinking Water Regulation (April 2024) and proposed revisions (May 2026); Harvard Environmental & Energy Law Program regulatory tracker.
10. S&P Capital IQ public company screen, as of October 21, 2026.

This report is for general information only and is not investment, legal or tax advice. Figures from third-party sources are presented as published; transaction multiples are as disclosed by the parties and have not been independently verified.

Middle Market Value

WHY MIDDLE MARKET VALUE

Most advisors start with a transaction. We start with a conversation. Middle Market Value combines a deep understanding of how companies are valued with years of buy-side and sell-side deal experience, so we can show you the full range of options and help you choose the path that best fits your objectives.

LET'S TALK

Own a Water Business?

We follow this sector closely and work with water infrastructure owners on valuations and sales. We'll tell you how today's buyers would look at your company.

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