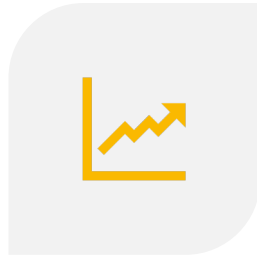


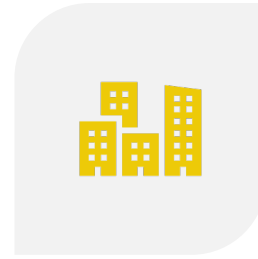
# Zurn Elkay Water Solutions

Lucy Forlastro, Owen Brinker, Lauren Gaule

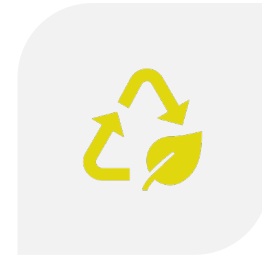
# Agenda



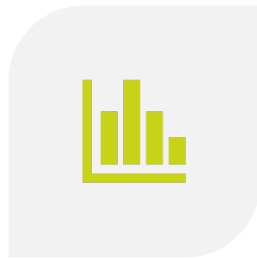
COMPANY  
DESCRIPTION



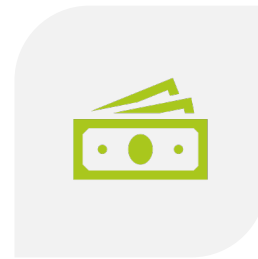
INDUSTRY OVERVIEW



SUSTAINABILITY



RATIO ANALYSIS



FINANCIALS



RECOMMENDATIONS

# Company Description

Zurn Elkay offers solutions and products that provide for drinking water, hygiene, and sustainable water management

The main markets that Zurn Elkay focus on for their products is educational buildings, healthcare centers, residential, office and retail centers

Zurn Elkay has done multiple mergers and acquisitions to acquire an accommodating portfolio that includes Elkay Manufacturing Company, Hadrian Inc, and World Dryer



# Industry Overview

## Zurn Industry

- Water control devices sector
- Estimated to secure a valuation of \$23.7mm by 2033
- Market has a 5.2% 10-year CAGR

## Elkay Industry

- Plumbing fixtures manufacturing sector
- Market size of nearly \$23B
- Market has a 7.5% 5-year CAGR

## Zurn-Elkay Industry

- Overall industry is considered a sustainable water management sector
- Within this industry, Zurn is the largest supplier

# Sustainability



67 billion single-use water bottles have been eliminated using Elkay water bottle filters since 2012



32 billion gallons of water has been saved by Zurn Elkay products in 2022



86% of revenues generated from products with sustainable attributes



19.2% reduction in greenhouse gas emissions intensity in 2022



0 product recalls for safety reasons in 2022

# Ratio Analysis

		2020	2021	2022
Profitability	Gross Margin	45.33%	40.97%	36.32%
	Profit Margin	0.55	0.59	0.64
	Operating Margin	40.22%	35.22%	29.78%
Liquidity	Current Ratio	0.81	0.89	1.43
	Quick Ratio	0.69	0.54	0.74
	Cash Ratio	0.20	0.40	0.43
Solvency	Debt to Equity	0.06	0.45	0.03
	Debt to Assets	0.78	4.22	0.33
	Times Interest Earned	0.83	1.51	3.12
Turnover	DSO	50.7	57.7	62.6
	DSI	121.8	125.2	164.0
	DPO	37.0	71.3	52.3

# DCF Model

## Key Assumptions

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Beta	1.04
Rd	3.85%
Re	9.77%
WACC	9.21%
LTGR	0.50%

## Output

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Enterprise Value	\$1,120B
Target Price	\$4.01
Market Price	\$28.65
Downside	-86.00%

DCF does **not** indicate that Zurn Elkay is a favorable investment

# Trading Comps

Competitors	P/E
Consolidated Water Co.	39.00
SJW Group	33.46
California Water Service Group	34.34
York Water Co.	32.07
Middlesex Water Co.	32.88
<b>Average</b>	<b>34.35</b>
Share price	28.65
Diluted EPS	0.37
<b>Zurn's P/E</b>	<b>77.43</b>

Comps indicate that Zurn  
Elkay is **overpriced**  
relative to industry P/E



## Other Considerations

Most of its assets are intangibles and goodwill

If new technology were to replace Zurn Elkay products, goodwill and debt-to-worth would be negatively impacted

# Recommendation

Based on ZWS's financials and merger complexities, we do not recommend buying shares at this time



Given the rising importance of climate change and freshwater solutions, we believe that a similar company should be investigated



Other small-cap companies include American Water Works, York Water Company, and Primo Water