

INDUSTRIALS QUARTERLY M&A REVIEW

Q1 2021



INTRODUCTION:

ALIXPARTNERS INDUSTRIALS QUARTERLY M&A REVIEW

Welcome to the AlixPartners Q1 2021 Industrials Quarterly M&A review, rounding up deal activity across the sector during the quarter.

There is no denying that COVID significantly impacted deal volumes in 2020. Global industrial M&A activity was no exception, with deal activity dropping to levels last seen during the Global Financial Crisis.

However, a recovery was witnessed in the later parts of H2 2020 and the momentum has continued to build in Q1 2021.

With a 71% increase in deal value and a 14% increase in deal volume compared to Q1 2020, deal activity in Q1 2021 recovered to pre-COVID levels.

The same can be said for valuations. Deal multiples have recovered strongly, with the average 9.9x EV/EBITDA multiple observed in Q1 2021 being the highest since 2018.

We hope you enjoy the review and, as ever, should you have any comments or suggestions, please do get in touch.

Nick Wood
Industrials M&A Lead

KEY STATISTICS Q1 2021



£156bn

Total deal value
▲ 71% vs. Q1 2020
▼ 29% vs. Q4 2020



2,443

Total deal volume
▲ 14% vs. Q1 2020
▼ 7% vs. Q4 2020



£179m

Avg. deal value
▲ 50% vs. Q1 2020
▼ 12% vs. Q4 2020



9.9X

Avg. valuation
▲ 10% vs. Q1 2020
▲ 2% vs. Q4 2020



30%

Increase (over 2019) in private equity funds raised in EMEA



36%

Deals that took place in North America, the most active geography



OUTLOOK: CAUTIOUS OPTIMISM FOR A STRONG 2021

Moving forward we expect deal activity to continue to build momentum and valuations to be maintained - driven by corporates exiting non-core businesses and deal hunger from private equity who will need to deploy record levels of capital.

Corporate carve-outs will be a key theme for the year. With carve-out volumes increasing at 10% per month, several commentators are forecasting a record year for corporate carve-outs.

Although global industrial deal activity has strong momentum coming into 2021, we expect some uncertainty to remain in the short term, with lockdown measures in Europe and other regions prevailing, banks lending at reduced levels and government support falling away in the second half of 2021.

However, with a clear and steady recovery in deal activity and ongoing progress in COVID vaccine roll-outs, there is more than enough reason to be cautiously optimistic about an active year for industrial M&A and return to a 'new normal' in the long term.



IN DETAIL: DEAL VALUES AND MEGA-DEALS JUMP, AS ACTIVITY RECOVERS TO PRE-COVID LEVELS

Significant increase in average deal value, EMEA and North America remain leaders in deal activity:

- Total deal value and average deal value for Q1 2021 saw a respective 71% and 50% increase compared to Q1 2020 which is testament to the recovery seen throughout the latter half of 2020. Deal value and average deal value did however fall by 29% and 12% from Q4 2020 respectively. Nonetheless, total and average deal values remain above Q1 2020 levels, appearing to follow a seasonal pattern seen since 2019 of a slower Q1 compared to the preceding Q4.
- A year after the first wave of lockdowns and the steady recovery seen in H2 2020, deal volumes in Q1 2021 rose to 14% above Q1 2020 levels. In line with the deal value trend, however, deal volumes fell by 7% in Q1 2021 compared to Q4 2020. This decline originated in APAC which saw deal volumes fall by 24% after a boom in Q4 2020.
- Overall, North America and EMEA remain leaders in deal activity, with 886 and 865 deals in Q1 2021 and total deal values at £55 billion and £68 billion respectively. APAC follows closely with 597 deals, but lags behind total deal value at £20 billion, while South America remains a small M&A market with only 95 deals during the quarter.
- The pandemic forced many corporates to carry out strategic reviews – the consequence of which are reflected in the rise in mega-deals. Through the latter half of 2020, multibillion deals rose to 27 announced in Q1 2021 – up from 16 announcements in Q1 2020. As corporates were forced to prioritize capital and resources, many pushed the exit button on non-core businesses, taking advantage of the strong deal multiples achieved on carve-outs.



71%

Increase in total deal value vs. Q1 2020



14%

Increase in deal volume vs. Q1 2020



50%

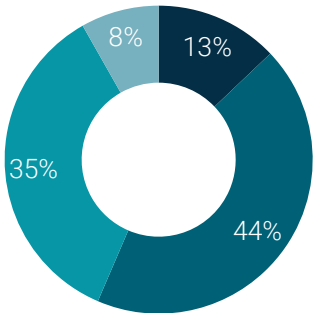
Increase in avg. deal value vs. Q1 2020



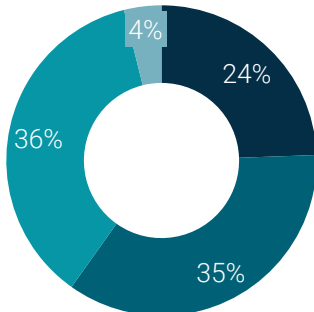
27

Multi-billion deals completed in Q1 2021

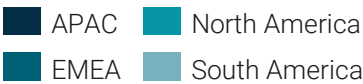
GEOGRAPHICAL TRENDS



Total deal value:
£156 billion



Total deal volume:
2,443



IN DETAIL:

MAJOR DEALS IN ENERGY, UTILITIES & MINING; PRIVATE EQUITY REMAINS A KEY BUYER GROUP

Energy, Utilities & Mining lead the charge:

- Energy, Utilities & Mining was the most active sector with 1,089 deals. A sector already in flux pre-COVID, the accelerated shift from fossil fuels to renewables was reflected in the 19% rise in deal count compared to Q1 2020. The sector saw several major deals including the sale of UK-based Western Power District for £14 billion to National Grid and the US-based sale of Enable Midstream for £5bn to Energy Transfer. Construction, Engineering and Building Products followed with 500 deals during the quarter, including the sale of US-based Firestone for £3 billion to LafargeHolcim.
- Meanwhile, the automotive sector experienced the steepest decline with a fall of 20% in deal volumes compared to Q4 2020, as supply chain uncertainty, semiconductor shortages and declining sales have forced companies to hold off announcements.

PE remains a key buyer group:

- PE remains a key buyer group and were involved in 10.2% of deals in Q1 2021 – a slight fall from 11.8% in Q4 2020 and 11.0% in Q1 2020. Chemicals and Containers & Packaging had the highest share of PE buyers at 12.4% and 10.1% respectively, which included the acquisition of Lonza Specialty Ingredients by Bain Capital and Cinven for £3.4 billion as part of a buy-and-build strategy.
- The automotive sector saw the steepest drop in PE share of deals – falling to 7.5% from 13.0% in Q4 2020. EMEA was the most active PE region with 14.2% of deals involving a PE-buyer – continuing its lead from 2020. Europe also saw a rise in non-European buyers to 10.4%, from 9.5% in Q4 2020.



1,089

Deals in the Energy, Utilities and Mining sector in Q1 2021



20%

Steepest sub-sector decline seen in the automotive sector



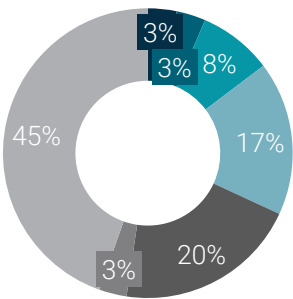
30%

Increase (over 2019) in private equity funds raised in EMEA

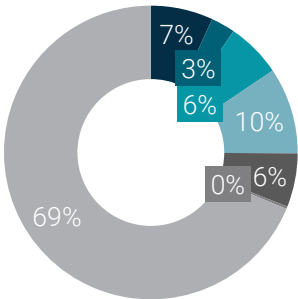


10.2%

Deals involving a PE buyer in Q1 2021



Total deal volume: 2,443



Total deal value: £156 billion



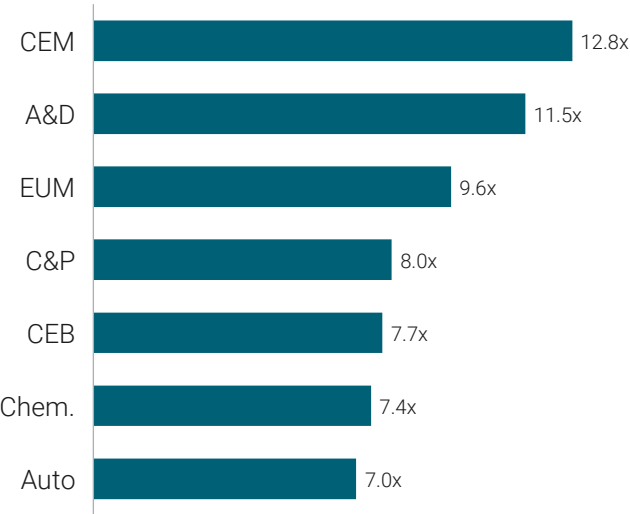
A&D	Aerospace & Defense
AUTO	Automotive
CHEM	Chemicals
CEB	Construction, Engineering & Building Products
CEM	Conglomerates, Electrical Equipment & Machinery
C&P	Containers & Packaging
EUM	Energy, Utilities & Mining

IN DETAIL: VALUATIONS HIT RECORD LEVELS

Deal valuations reached record levels:

- Deal pricing multiples have risen to a record 9.9x – the highest quarterly average for the industry since 2018. North America and APAC saw the highest valuations at 10.2x and 10.1x respectively. EMEA lagged behind at 8.8x as the region remains troubled by lockdowns and vaccine delays.
- Valuations are being driven by the mountains of available capital in private equity, with a 30% increase in EMEA fund raising through 2020, and by corporates continuing to execute strategy and chase growth through M&A after a momentary pause through COVID.
- The pricing recovery is also reflected in public trading multiples which rose to 9.4x at the end of Q1 2021 and are now trading above Q1 2020 levels across all sub-sectors. A&D remains the highest valued sector despite setbacks through COVID at 11.3x, followed by Conglomerates, Electrical equipment & Machinery at 11.1x and Chemicals at 10.1x.

AVG. IMPLIED EV/EBITDA (Q1 2021 DEALS)



12.8x

Highest sector avg. deal multiple for Conglomerates, Electrical equipment & Machinery



11.3x

Highest avg. public company valuation multiple for Aerospace & Defence

SUB-SECTOR ¹	AVERAGE				
	REV. CAGR (2018-2020)	EBITDA %	EV/ Q1 2021 LTM REV.	EV/ Q1 2021 LTM EBITDA	REV. CAGR (2021-2023)
Aerospace & Defense	2.1%	10.8%	2.2x	11.3x	6.0%
Automotive	2.7%	9.3%	1.5x	8.5x	6.8%
Chemicals	(0.1%)	14.9%	2.1x	10.1x	3.9%
Conglomerates, Electrical Equipment & Machinery	8.1%	11.4%	2.1x	11.1x	5.2%
Construction, Engineering & Building Products	5.0%	11.5%	1.4x	8.4x	4.3%
Containers & Packaging	1.4%	15.0%	1.5x	9.3x	2.8%
Energy, Utilities & Mining	(0.9%)	23.3%	2.4x	8.9x	3.0%

1. Includes companies with revenue in excess of £500 million per annum

IN DETAIL: NOTABLE TRANSACTIONS IN EMEA AND NORTH AMERICA

COUNTRY	TARGET	SECTOR	ACQUIRER	DEAL VALUE (£M) ¹	EV/ EBITDA	RATIONALE
EMEA						
United Kingdom	Scapa Group plc	Chemicals	Schweitzer-Mauduit International, Inc.	465	14.4x	Acquisition by Schweitzer-Mauduit International to enhance market position and growth profile
Norway	All the Assets of INEOS E&P Norge AS	Energy	PGNiG Upstream Norway AS	896	Not disclosed	PGNiG absorbs all North Sea assets of INEOS to build out local network
United Kingdom	Cobham Mission Systems Wimborne Limited	Aerospace and Defense	Eaton Corporation plc	2,069	Not disclosed	Eaton's complementary products to be enhanced by fuel systems capabilities of CMS
Switzerland	Lonza Specialty Ingredients	Chemicals	Cinven Limited; Bain Capital Private Equity, LP	3,402	Not disclosed	Bain and Cinven will use LSI as a platform for further industry consolidation
United Kingdom	Western Power Distribution plc	Utilities	National Grid plc	14,352	11.0x	Divestment of US asset as National Grid pivots to deepen UK electricity coverage ahead of upcoming sale of Group majority stake
North America						
United States	Performance Chemicals Business of PQ Group Holdings Inc.	Chemicals	Cerberus Capital Management, L.P.; Koch Minerals & Trading, LLC	789	7.8x	Divestment of performance chemicals business by PQ Group as part of a strategy to drive greater shareholder value
United States	Trippe Manufacturing Company	Electrical equipment	Eaton Corporation plc	1,203	12.0x	Acquisition will support Eaton's expansion of Americas power quality business
United States	Cooper Tire & Rubber Company		The Goodyear Tire & Rubber Company	2,302	6.3x	Complementary businesses tire businesses to benefit from synergies and strengthen leading position
United States	Firestone Building Products Company, LLC	Building Products	LafargeHolcim Ltd	2,508	Not disclosed	Acquisition aligns with LafargeHolcim's ambitions to lead sustainable building materials and solutions globally
Canada	Inter Pipeline Ltd.	Energy	Brookfield Infrastructure Partners L.P.	7,486	14.2	BIP has launched a hostile PIPE takeover of the energy and petrochemicals company

1. Reflects total gross transaction value

CASE STUDY:

CARVE-OUT ACQUISITION AND DEBT RAISE FOR LEADING GLOBAL AUTOMOTIVE SUPPLIER

TRANSACTION HIGHLIGHTS

- ✓ Debt raise and acquisition of a division out of leading global automotive supplier Arlington Industries Group in two separate divestment processes in the UK and Germany during COVID.
- ✓ Demonstrated our ability to leverage our global fundraising network to secure acquisition financing in challenging circumstances.
- ✓ Full M&A lead advisory role carried out: raising external acquisition financing, leading buyer negotiations in two separate processes and supporting the carve-out of the acquired businesses..

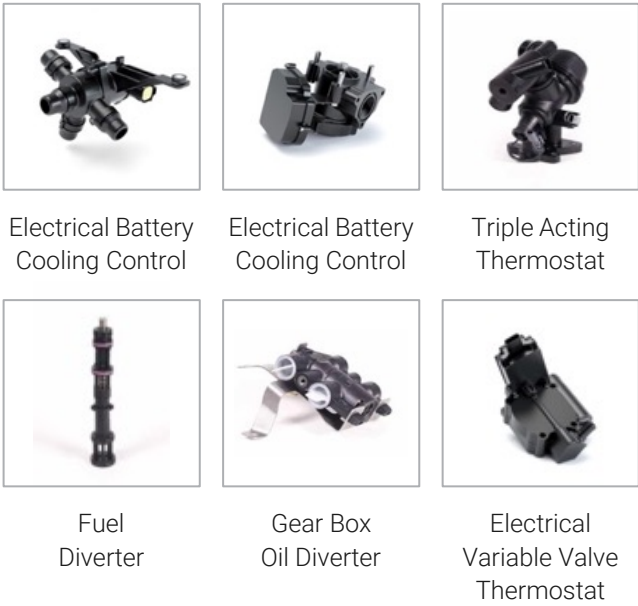
THERMANSOL: GLOBAL FOOTPRINT OF MANUFACTURING



BACKGROUND

- Arlington Industries Group was founded in 2013 and grew through several acquisitions.
- Following the acquisition of the German business in 2019, the impact of COVID and general downturn in the automotive markets, the business faced liquidity pressures which triggered a break-up divestment process in both the UK and Germany.
- Cartesian Capital, in support of the management team, acquired the attractive Thermal Management division.
- AlixPartners drew upon an integrated team of M&A, Debt Advisory, carve-out and automotive expertise to advise the client.
- Cartesian Capital and management were successful in acquiring the business with a future-oriented group of entities, renamed Thermansol.

THERMANSOL: PRODUCT OVERVIEW



BLUE CHIP CUSTOMERS



“This was an incredibly complex and challenging deal. Hiring AlixPartners was the smartest move we made. Many thanks to the team. We are eternally grateful for your advice, dedication, and insights.”

– BETH MICHELSON, SENIOR MANAGING DIRECTOR, CARTESIAN CAPITAL

ALIXPARTNERS INDUSTRIALS M&A: GLOBAL M&A EXPERTISE THROUGHOUT THE DEAL LIFECYCLE

INTEGRATED APPROACH THROUGHOUT DEAL CYCLE

We offer market leading, integrated M&A services and develop long term relationships with clients

Delivering value creation and M&A solutions for corporates and investors...



...in 'when it really matters' M&A situations...



...leveraging the AlixPartners' unparalleled skill-set combining...



...M&A, operational & sector expertise in small, senior expert teams.



Integrated M&A Advisory

- We have a unique capability of drawing upon our sector and operational experts to provide a fully integrated offering across the deal life cycle
- Our transactional expertise is recognized through our market leading results in both growth M&A as well as complexed and distressed M&A



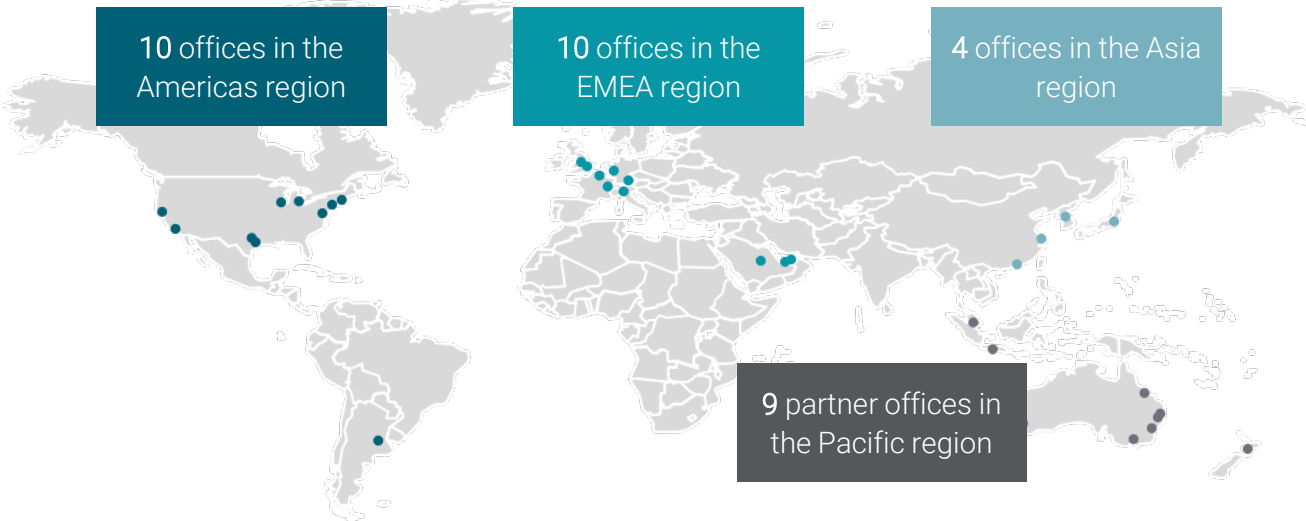
Sector experience

- We have the ability to draw on experienced, hands-on consultants who have direct relevant expertise in specific sectors
- Working closely with our transactional experts, our sector experts help you understand the industrial logic for a potential acquisition or exit and can assist in quantifying potential performance improvement measures

Operational and digital expertise

- Our operational experts are focused on identifying and implementing value creation opportunities to drive profit growth and improve cash generation
- Similarly, by leveraging our IT and digital capabilities, we are very quickly able to assess the complexity of large/complex IT carve outs and implement IT separation and integration programmes to ensure a smooth transition

GLOBAL REACH

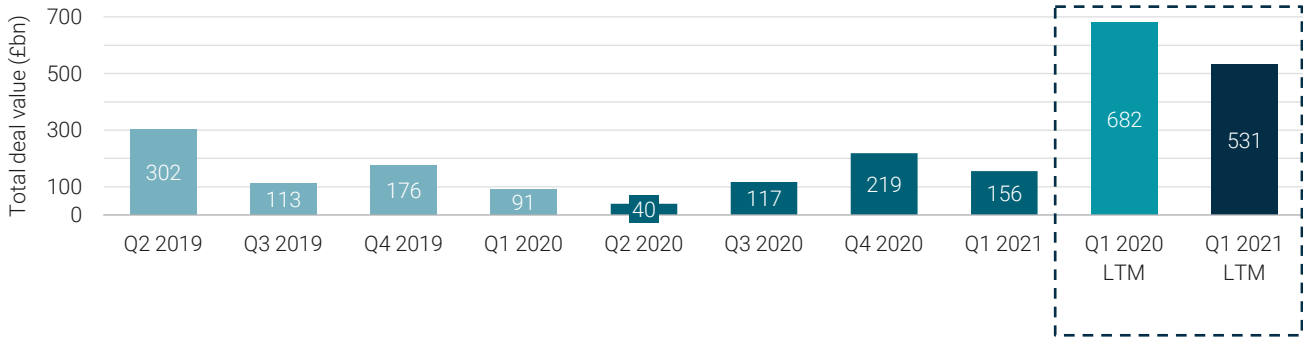


APPENDIX A

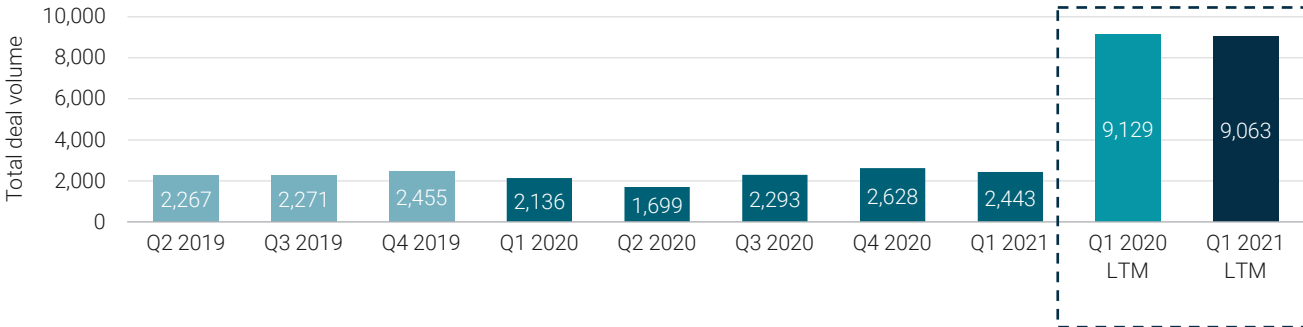
DEAL VALUE, VOLUME AND VALUATION

INDUSTRIALS M&A – VALUE, VOLUME AND VALUATIONS

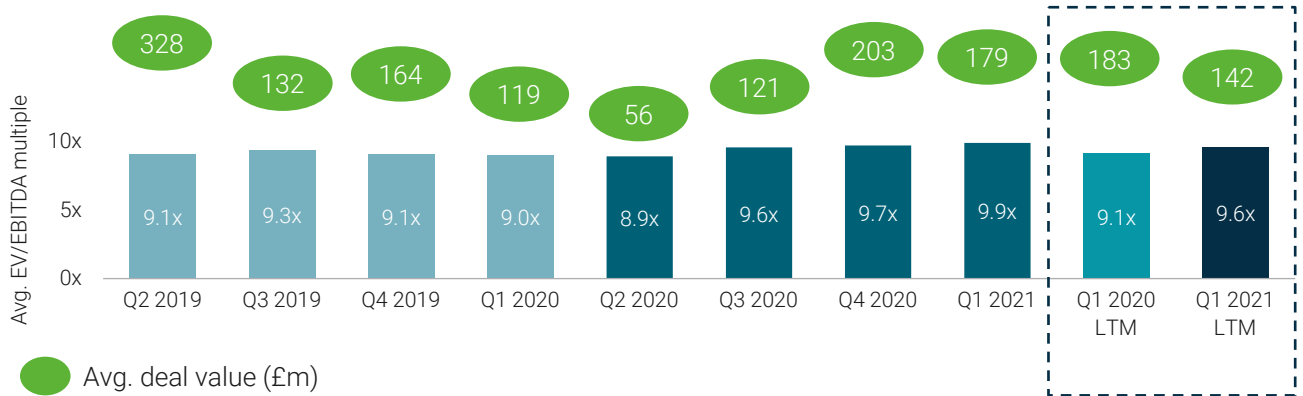
TOTAL DEAL VALUE



TOTAL DEAL VOLUME



AVERAGE EV/EBITDA VALUATION



Note on avg. deal value: Calculated from available deals with disclosed target valuations, which is not exhaustive of all deals reported in deal volume..

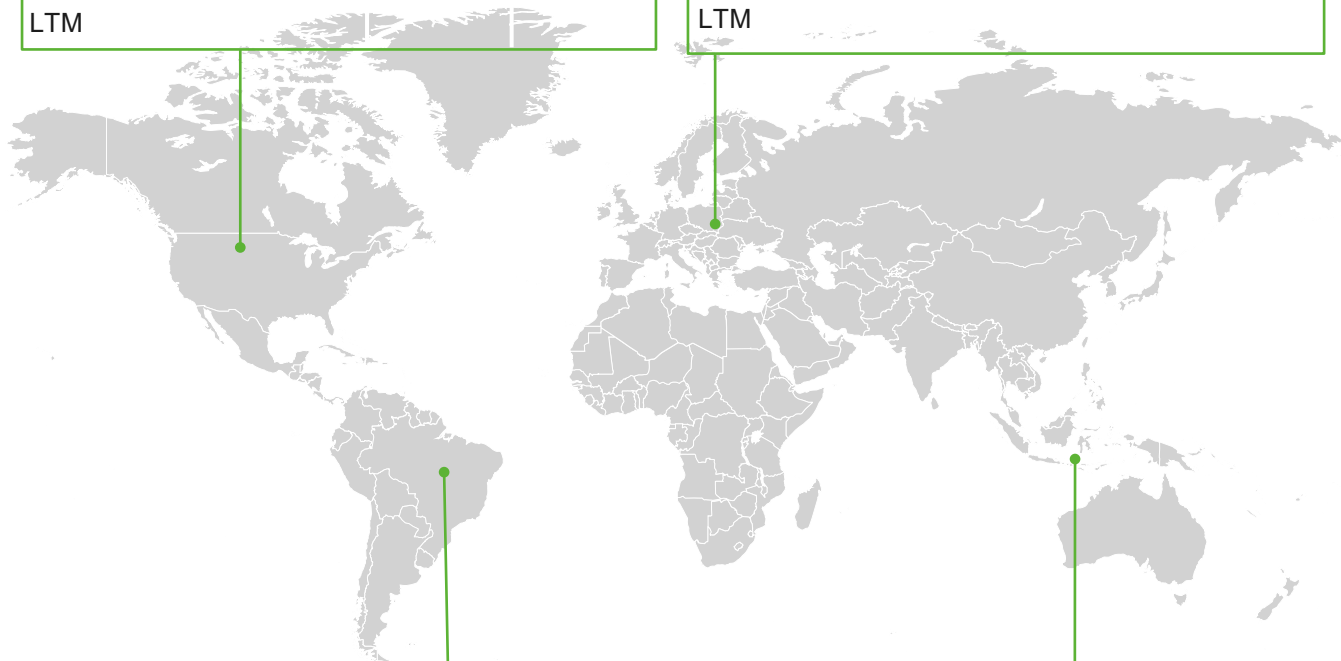
APPENDIX B

GEOGRAPHICAL TRENDS

INDUSTRIAL M&A – VALUE, VOLUME AND VALUATIONS BY GEOGRAPHY

NORTH AMERICA			
	Deal volume	Deal value (£bn)	Avg. deal value (£m)
Q1 2021	886	55	204
Vs. Q1 2020	▲14.6%	▲100.1%	▲86.8%
Q1 2021 LTM	3,092	180	174
Vs. Q1 2020 LTM	▼0.3%	▼48.5%	▼46.5%

EMEA	Deal volume	Deal value (£bn)	Avg. deal value (£m)
Q1 2021	865	68	348
Vs. Q1 2020	▲13.4%	▲50.3%	▲28.0%
Q1 2021 LTM	3,008	144	191
Vs. Q1 2020 LTM	▼9.3%	▼21.3%	▼11.8%



SOUTH AMERICA			
	Deal volume	Deal value (£bn)	Avg. deal value (£m)
Q1 2021	95	13	290
Vs. Q1 2020	▲14.5%	▲251.8%	▲155.9%
Q1 2021 LTM	381	28	146
Vs. Q1 2020 LTM	▲4.1%	▲12.0%	▲2.6%

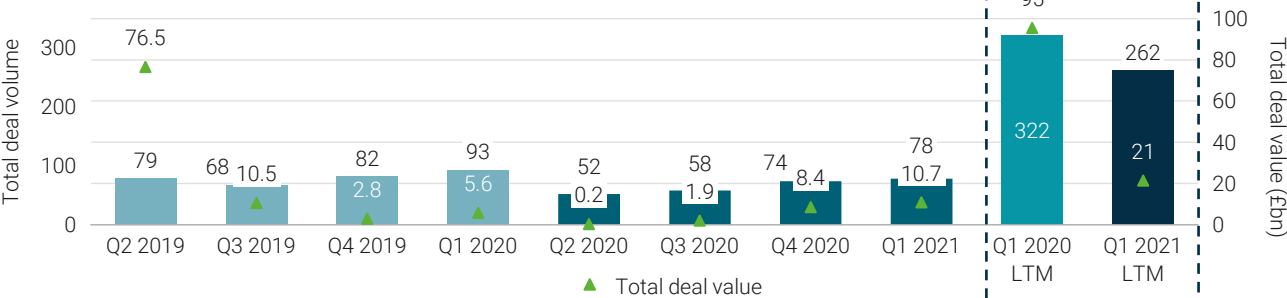
APAC			
	Deal volume	Deal value (£bn)	Avg. deal value (£m)
Q1 2021	597	20	56
Vs. Q1 2020	▲15.5%	▲37.1%	▲26.5%
Q1 2021 LTM	2,582	179	102
Vs. Q1 2020 LTM	▲10.1%	▲43.7%	▲33.9%

APPENDIX C

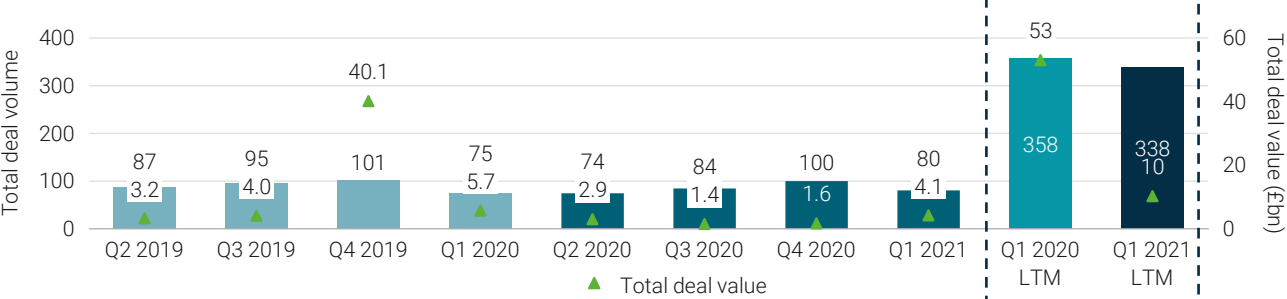
SUB-SECTOR ACTIVITY

DEAL ACTIVITY BY SUB-SECTOR

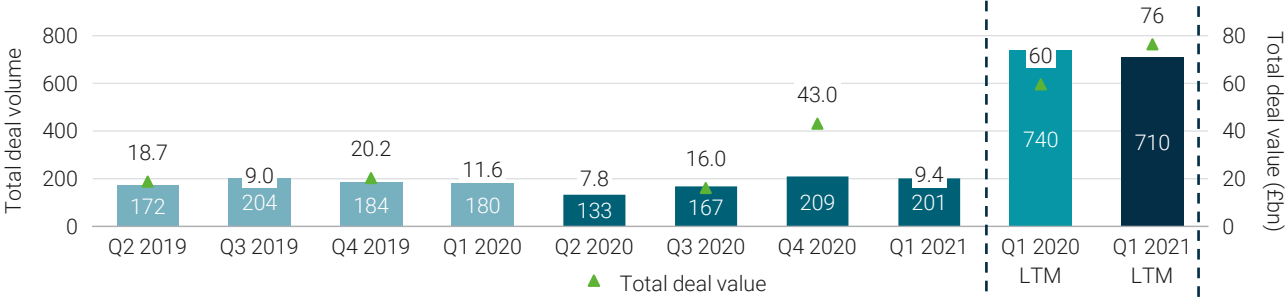
AEROSPACE & DEFENSE



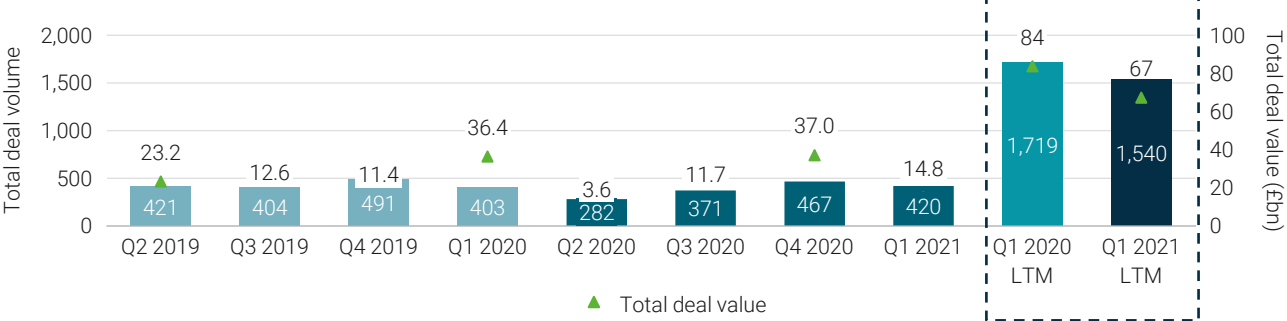
AUTOMOTIVE



CHEMICALS



CONGLOMERATES, ELECTRICAL EQUIPMENT & MACHINERY



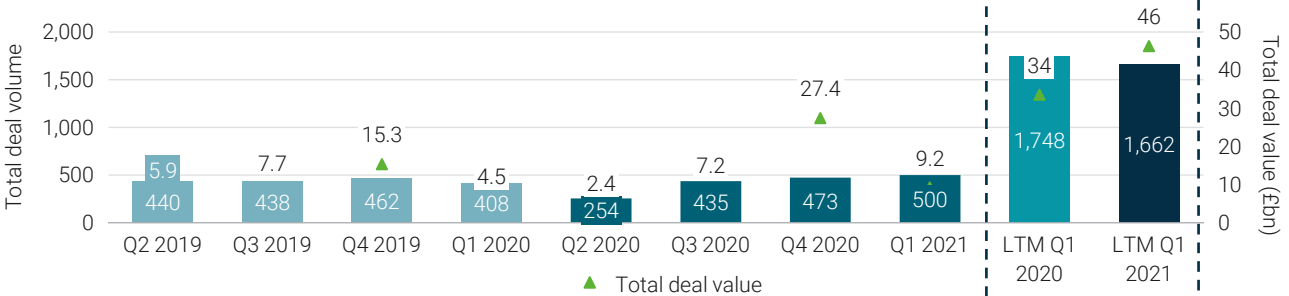
Note on avg. deal value: Calculated from available deals with disclosed target valuations, which is not exhaustive of all deals reported in deal volume..

APPENDIX C CONT.

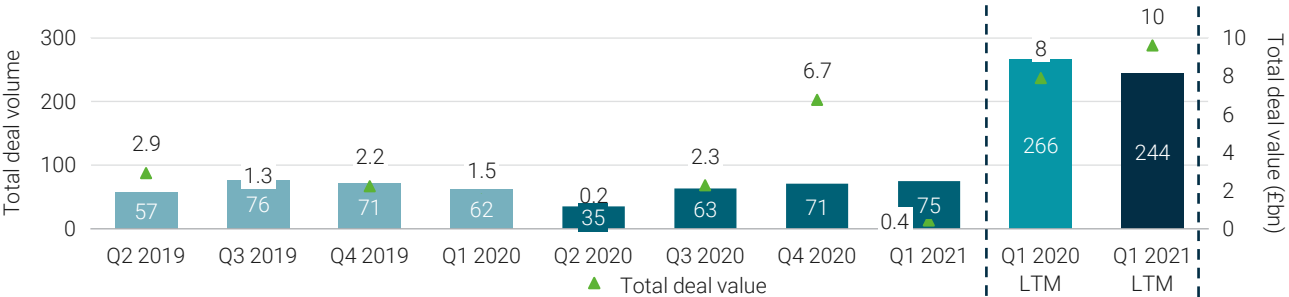
SUB-SECTOR ACTIVITY

DEAL ACTIVITY BY SUB-SECTOR

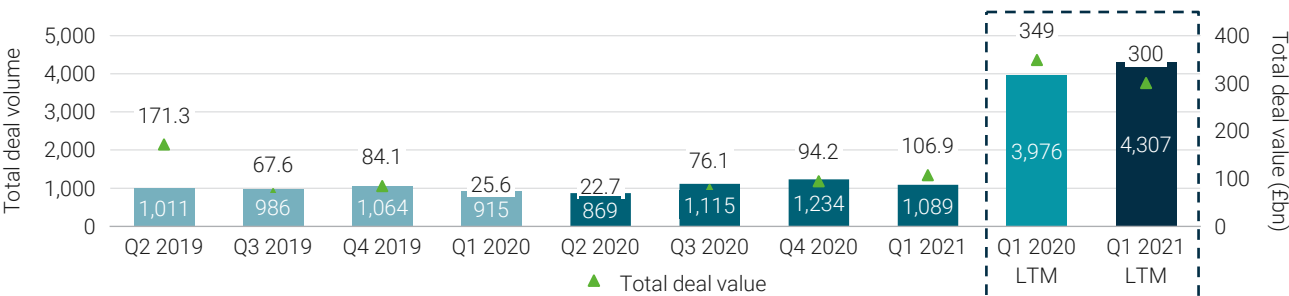
CONSTRUCTION, ENGINEERING & BUILDING PRODUCTS



CONTAINERS AND PACKAGING



ENERGY, UTILITIES AND MINING



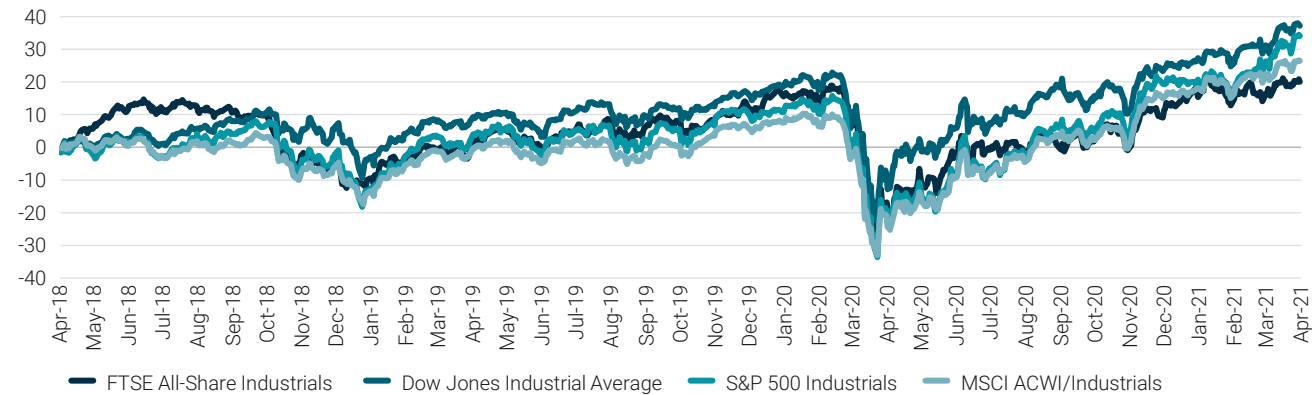
SUB-SECTOR (Q1 2021 LTM)	DEAL VOLUME	DEAL VALUE (£BN)	AVG. DEAL VALUE (£M)	AVG. EV/EBITDA VALUATION
Aerospace & Defense	262	21	234	10.5x
Automotive	338	10	67	8.4x
Chemicals	710	76	251	10.1x
Conglomerates, Electrical Equipment & Machinery	1,540	67	116	12.0x
Construction, Engineering & Building Products	1,662	46	116	9.1x
Containers & Packaging	244	10	135	8.7x
Energy, Utilities & Mining	4,307	300	140	8.6x

Note on avg. deal value: Calculated from available deals with disclosed target valuations, which is not exhaustive of all deals reported in deal volume..

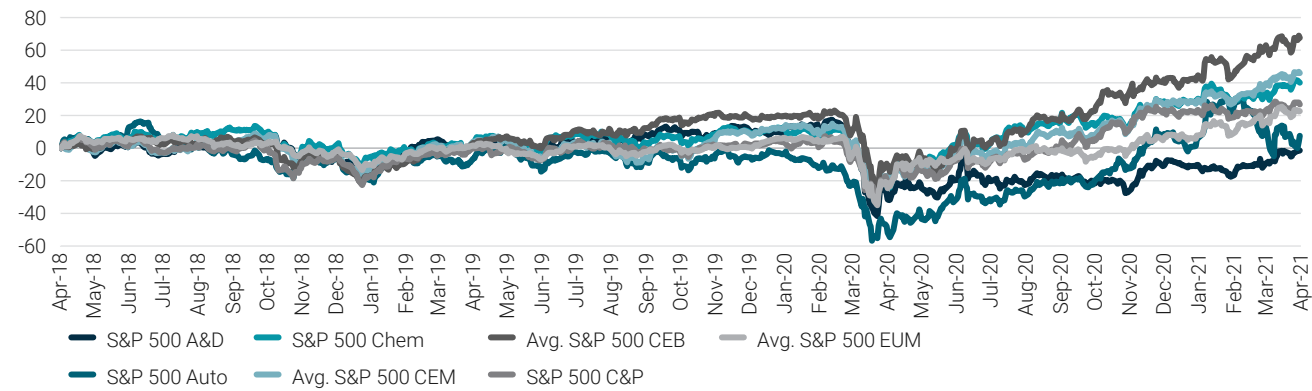
APPENDIX D

SUB-SECTOR PERFORMANCE

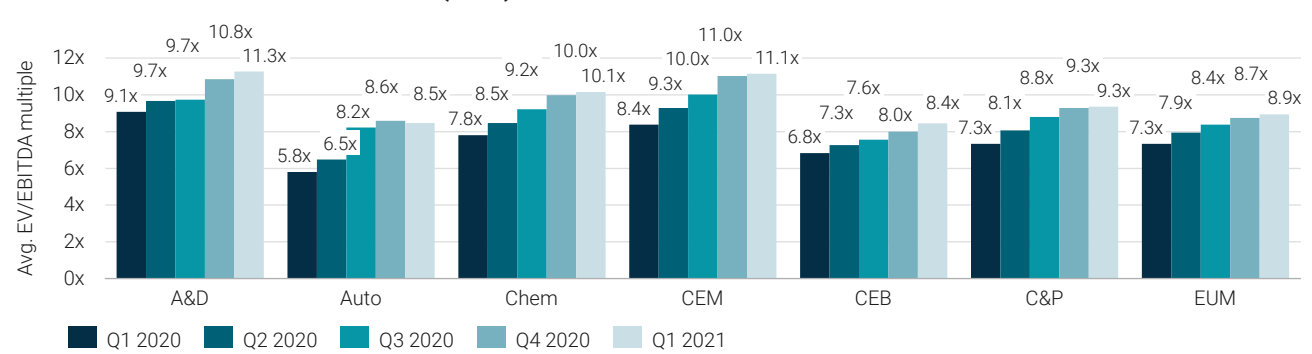
INDUSTRIALS – SECTOR INDEX PERFORMANCE



INDUSTRIALS – SUB-SECTOR PERFORMANCE



INDUSTRIALS – PUBLIC EV/EBITDA (LTM) VALUATION¹



SUB-SECTOR KEY

A&D	Aerospace & Defence	CEM	Conglomerates, Electrical Equipment & Machinery
AUTO	Automotive	C&P	Containers & Packaging
CHEM	Chemicals	EUM	Energy, Utilities & Mining
CEB	Construction, Engineering & Building Products		

1. Includes companies with revenue in excess of £500m per annum

ALIXPARTNERS INDUSTRIALS TEAM

M&A SERVICES ACROSS THE INVESTMENT CYCLE

Investment	Growth	Portfolio optimization and Exit
<ul style="list-style-type: none">• Strategy development• Buy-side advisory• Debt advisory• Ops & IT due diligence• Synergy assessment• Merger planning and clearance	<ul style="list-style-type: none">• Post-merger integration• Synergy capture• Operational improvement• Bolt-on acquisitions• Digital transformation• Refinancing	<ul style="list-style-type: none">• Strategic review• Exit readiness• Sell-side advisory• Carve-outs• Corporate turnaround• Restructuring

OUR EXPERTISE

Manufacturing			Energy and Resources	
Chemicals	Packaging	Automotive	Oil & Gas	Metals & Mining
Aerospace	Industrial Electronics	Diversified Industrials	Waste & Water	Power

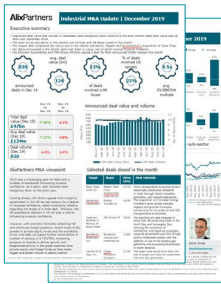
Global Automotive Study



Global Aerospace & Defence Study



Industrials M&A Newsletter



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ABOUT US

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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