



C O R P O R A T E F I N A N C E
I N T E R N A T I O N A L

Manufacturing & Industrials M&A Pulse



AUGUST 2019

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Introduction to CFI's manufacturing & industrials team



Jaap de Jong
Partner



Dries Bossuyt
Partner



Kevin Driesen
Director



Mario van Gasse
Partner

Introduction

Corporate Finance International ('CFI') is an international trusted advisor with over 250 M&A professionals specialising in cross-border acquisitions, divestitures, capital raisings, and related services all over the world. CFI focuses exclusively on middle-market transactions, with deal sizes ranging from EUR 10 million to EUR 500 million. In 2018, CFI completed almost 150 M&A transactions, involving its partners in 19 countries and 4 continents.

Within CFI the manufacturing & industrials team is dedicated to provide industry specific, best-in-class, cross-border M&A advisory services to its international network of manufacturing & industrial companies,

owned by entrepreneurs, private equity funds or publicly traded.

The manufacturing & industrials team in Belgium and the Netherlands, with over 100 years of specialised and dedicated M&A experience, with an in-depth understanding of trends and developments in the sector. They advise on complex cross-border transactions which results in an unrivalled M&A track record, supported by long-term and personal client relationships.

In this M&A Pulse CFI provides analyses and views on the M&A dynamics within the Belgian and Dutch manufacturing and industrials sectors.

Selection of recent transactions

 has acquired buy-side	 has sold its rooftop solar portfolio to sell-side	 has been sold to a portfolio company of sell-side	 has been sold to sell-side	 has acquired INSPIRED BY NATURE from buy-side	 has sold its renewable energy asset to sell-side
 has acquired from sell-side	 has been sold to sell-side	 has sold to sell-side	 has acquired the assets of Reliable, Hygienic, Economical Machines buy-side	 has been sold to sell-side	 has been acquired by buy-side

A general view on the Dutch and Belgian manufacturing and industrials M&A market, operational outlook and valuation dynamics

Introduction to this Manufacturing & Industrials M&A Pulse

The Belgian and Dutch manufacturing and industrials M&A market remained strong in the past 18 months. Volume in the first six months of 2019 was robust with 140 announced deals.

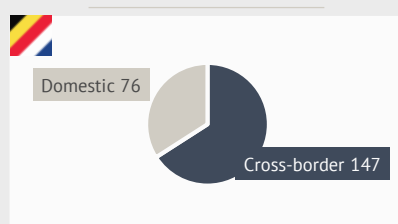
We expect that the strong underlying economic fundamentals, the record amounts of dry powder and continued sector focus will remain important elements that dictate the M&A environment for the remainder of 2019. On the other hand, protectionism, the rise of tariffs, and the rapidly changing geopolitical environment are also affecting Belgian and Dutch companies in defining their strategic priorities.

On page 4 we share our view on the development of the public valuations of listed Belgian and Dutch industrial and manufacturing companies.

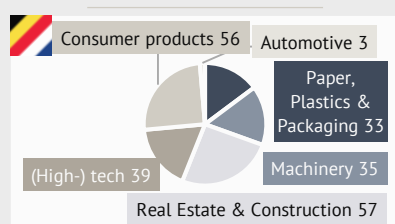
Page 5 describes the overall industrial and manufacturing M&A dynamics in the two geographies, where 223 deals have been counted in the period FY2018 – HY2019. The selected sub-sectors are: Paper, Plastic & Packaging, Machinery and Construction. Per sub-sector we also included the deal count in the Belgian and Dutch market.

From page 6 till page 11 the revenue and EBITDA developments of listed peers in the three different sub-sectors are discussed. Also the multiple valuations of international transactions have been analysed.

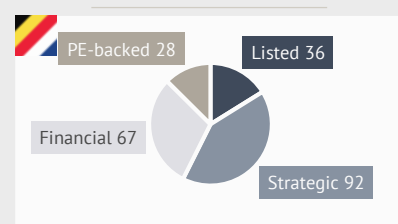
Cross-border M&A activity



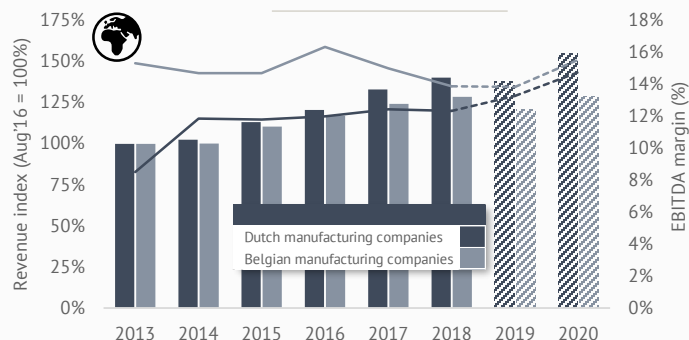
M&A activity per sub-sector



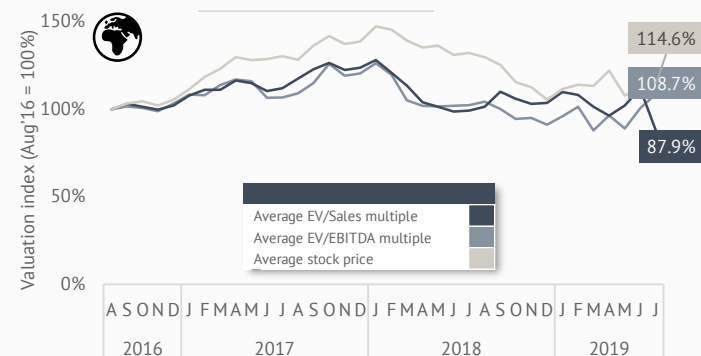
Type of buyers



Expected margin improvements and flat growth



Margin dynamics drift multiple valuations apart

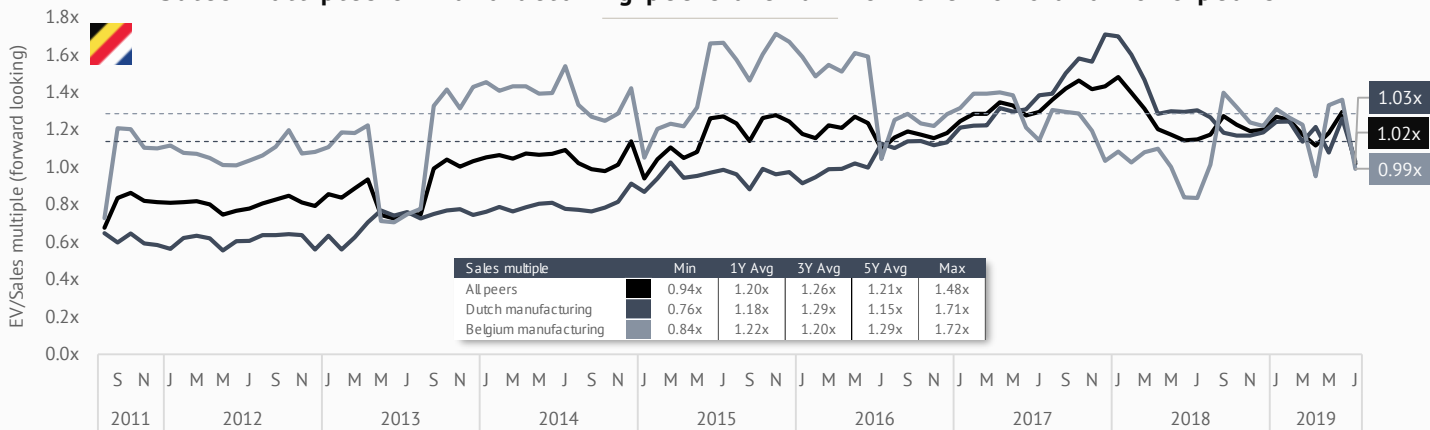


Key trends and highlights

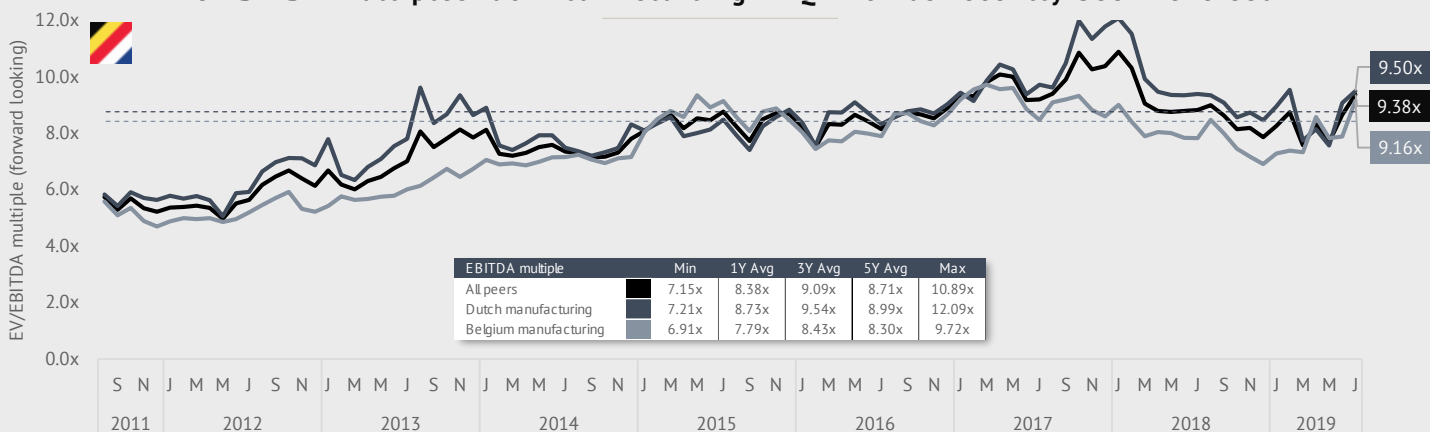
- **Stock market decline has led to decreasing valuation levels:** the EBITDA multiples were more volatile and affected by the declining stock prices. We perceived a trigger for some to delay until this unpredictability subsides, others were activated to pursue M&A opportunities.
- **Higher valuation for high tech companies as compared to the general industry:** we observe the Dutch manufacturing peer group trading at higher EBITDA multiples compared to its Belgian competitors. We believe the level of (high-)tech is an important element explaining this difference.
- **Cross-border activity continued to remain robust:** of the 223 deals we observed in the Belgian and Dutch Manufacturing and Industrials market, 65% were cross-border transactions.
- **Financial vs strategic investor:** Strategic investors are slightly more dominant in the number of transactions in the manufacturing industry as compared to the financial investors.

Dutch and Belgian manufacturing public valuation developments

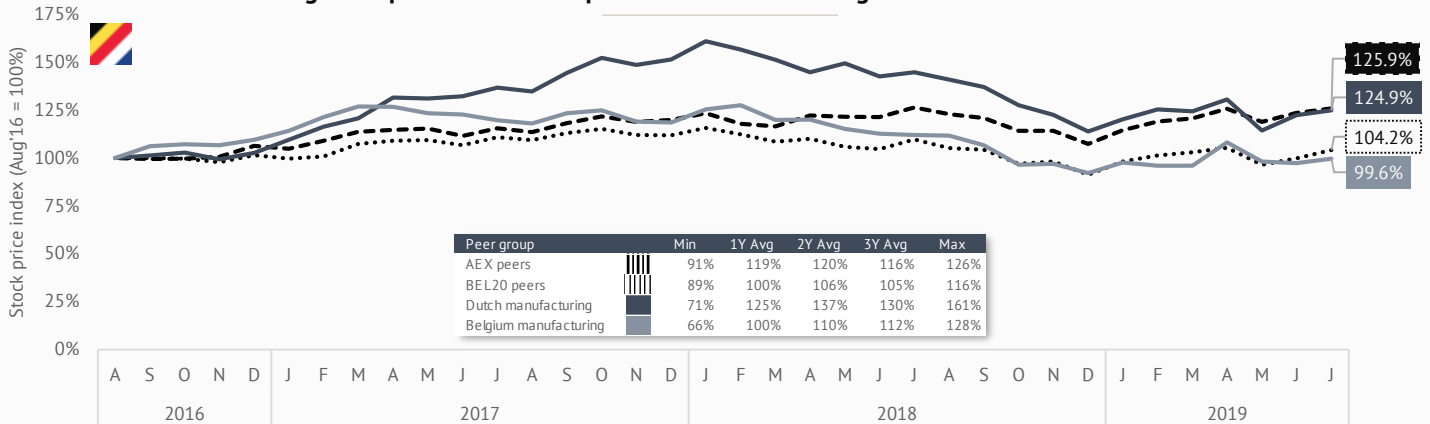
Sales multiples of manufacturing peers are far from the 2016 and 2018 peaks



The EBITDA multiples' downturn starting in Q1'18 has recently been reversed



Manufacturing companies' stock prices are becoming more in line with local indices



Peer group composition

Dutch manufacturing companies



Belgian manufacturing companies



Selected case studies

Transaction type

Buy-side M&A

Sector

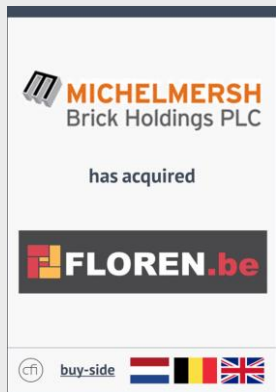
(building) materials

Deal value

Undisclosed

Date

February 2019



Company overview

Floren & Cie was founded in 1896 and has been led by members of the Corswarem family for generations and operates a production location in the Northern part of Belgium. It has continuously invested in product innovation, using the latest technologies, as well as investing in ecological measures for its production processes.

Buyer

Michelmersh Brick Holdings PLC is the UK's largest specialist brick manufacturer and currently owns six of the UK's most recognised premium brands: Blockleys, Carlton, Charnwood, Freshfield Lane, Michelmersh and Hathern Terra Cotta. The Company operates a fully integrated business combining the manufacture of clay bricks, tiles and pavers. Michelmersh Brick Holdings PLC employs approximately 560 people and realised a turnover of more than GBP 37 million in 2017.

Strategic rationale

Mr Frank Hanna, Joint CEO of Michelmersh, stated: "Floren & Cie has a strong brand name with broad range of high-quality products which complement our existing offering. This acquisition also provides Michelmersh with a strong presence on the European mainland."

Lead advisor



Jaap de Jong

Partner, the Netherlands

Transaction type

Sell-side M&A

Sector

(high) tech

Deal value

30-50m

Date

January 2018



Company overview

Sunrock is a Dutch pioneer investing in large-scale solar energy projects. Sunrock identified large-scale Belgian PV projects as a long-term sustainable investment. During 2012 and 2018, Sunrock raised funds which acquired a significant portfolio of Belgian roof top-based PV projects. These projects benefit from a feed-in mechanism providing them a price guarantee over a 20-year period.

Transaction rationale

Sunrock became one of the major players in developing and financing large scale roof top mounted projects in the Netherlands since the Dutch market opened for such projects. End of 2018, Sunrock decided to sell all their Belgian projects in order to fully focus on the Dutch market and secure the return for their investors on the Belgian projects.

Process highlights

Sunrock contracted CFI as their exclusive financial advisor based on their M&A experience, industry knowledge and network in the renewable energy industry. CFI organised a tender process, soliciting offers from international investors in renewable energy infrastructure assets. The portfolio's size (>100 projects and >33 MWp) with excellent risk/return profile attracted a significant number of offers. The portfolio was sold in less than three months to Patronale Verzekeringen, a Belgian institutional investor.

Lead advisor



Dries Bossuyt

Partner, Belgium

Operational, valuation and M&A dynamics in Paper, Plastics & Packaging

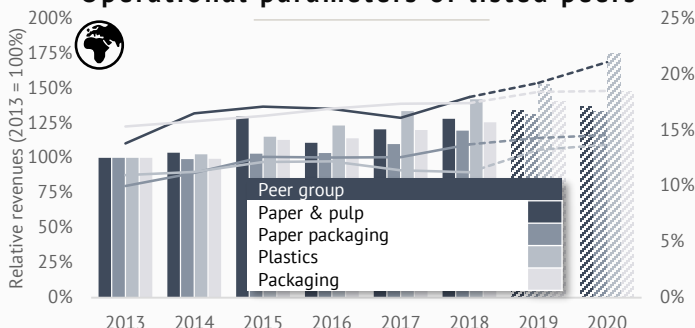
Highlights

- M&A activity in the Dutch and Belgian Paper, Plastic & Packaging market continued to be strong in 2018 and first half year 2019 as both financial and strategic buyers aggressively continued to consolidate the fragmented market.
- Historically, Paper, Plastic & Packaging transactions have been more heavily weighted towards strategic buyers.
- However, a sharp shift is observed towards financial buyers, reducing strategic buyers' share.
- This is mainly caused by a growth in the number of private equity platforms, instead of a pullback of interest from strategic buyers.
- Belgian buyers count for half of the number of transactions (16) over the last 19 months.

CFI tombstones



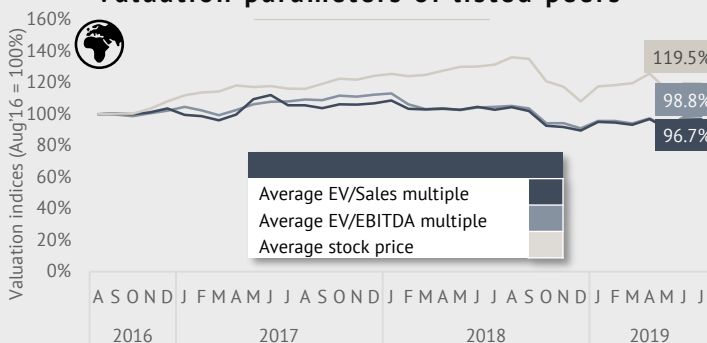
Operational parameters of listed peers



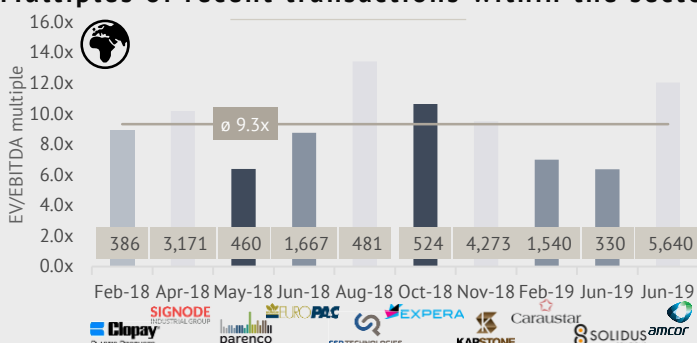
Operational outlook and trends

- In 2019, EBITDA margins remained stable above 10%, which is expected to improve towards 15%.
- The Packaging sub-sector, from a valuation perspective, remains the most attractive niche with a 3yrs EBITDA multiple average of 9.21x.
- High variations in transaction multiples are observed caused by specific reasons (underperformance, high-tech above-market growth expectations).

Valuation parameters of listed peers



Multiples of recent transactions within the sector



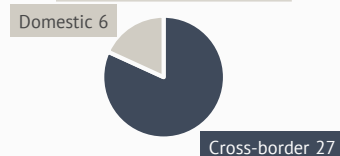
Selection of recent BeNe Paper, Plastics & Packaging M&A activity

Date	Target	Country	Buyer	Country
Jun-19	Solidus Solutions	NL	Centerbridge Partners	US
Jun-19	Megaflex	NL	Optimum Group	NL
Jun-19	Loparex International	NL	Pamplona Capital Management	GB
Jun-19	Enoplastic	IT	Cobepa	BE
Jun-19	Essentra Extrusion	NL	Inter Primo	DK
Jun-19	TOTAL Cray Valley	US	Polyscope Polymers	NL
May-19	Filoform	NL	CRH	IE
Mar-19	Belona	NL	Optimum Group	NL
Feb-19	Corenso United (EU & CN)	FI	VPK Packaging Group	BE
Feb-19	pack2pack Halsteren	NL	Glud & Marstrand	DK
Jan-19	W. u. H. Fernholz	DE	Desch Plantpak	NL
Nov-18	Vekopak	NL	P. van der Velde	BE
Nov-18	Chemicar Europe	BE	ING Belgium Private Equity	BE
Nov-18	Beyers' Plastics	BE	Tekni-Plex	US
Oct-18	Kartonnage Fritz Nießen	DE	P. van de Velde	BE
Jun-18	Société Medicos	FR	Gimv Private Equity	BE
May-18	conTeyor International	BE	Gilde Equity Management	NL
Apr-18	Wesly Papierwaren en Karton	NL	P. van der Velde	BE
Jan-18	Stiplastics	FR	Gimv Private Equity	BE

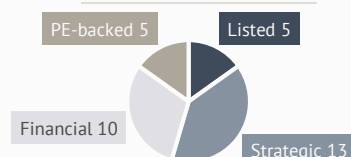
Number of deals

33

Cross-border activity

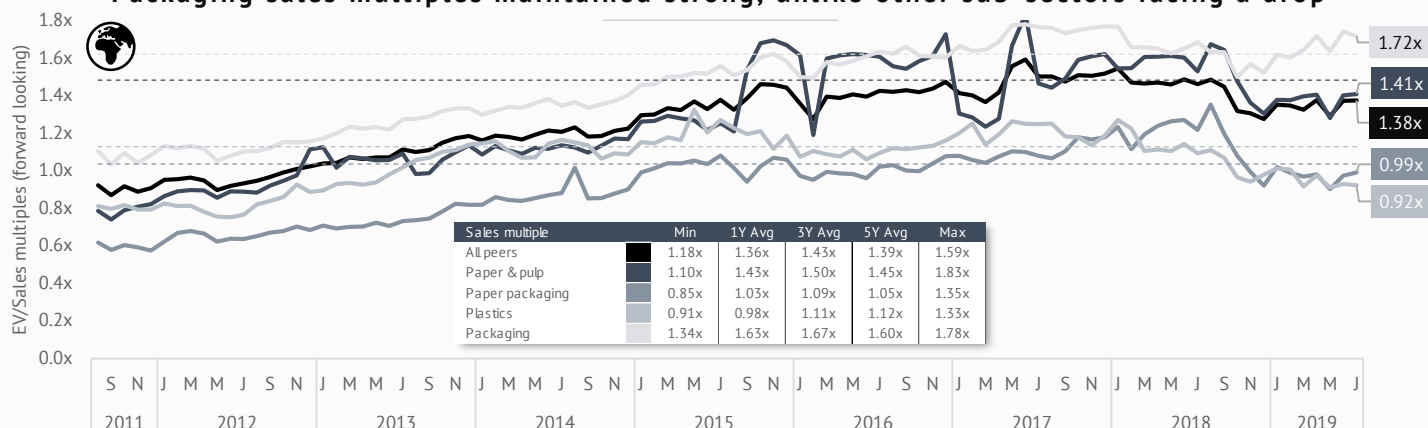


Type of buyers

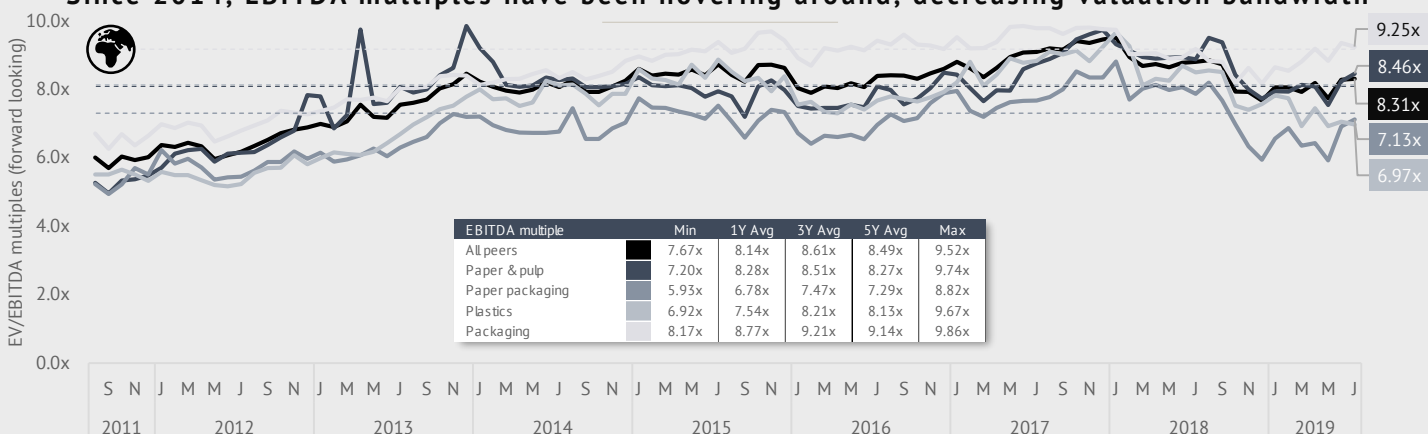


Paper, Plastics and Packaging public valuation developments

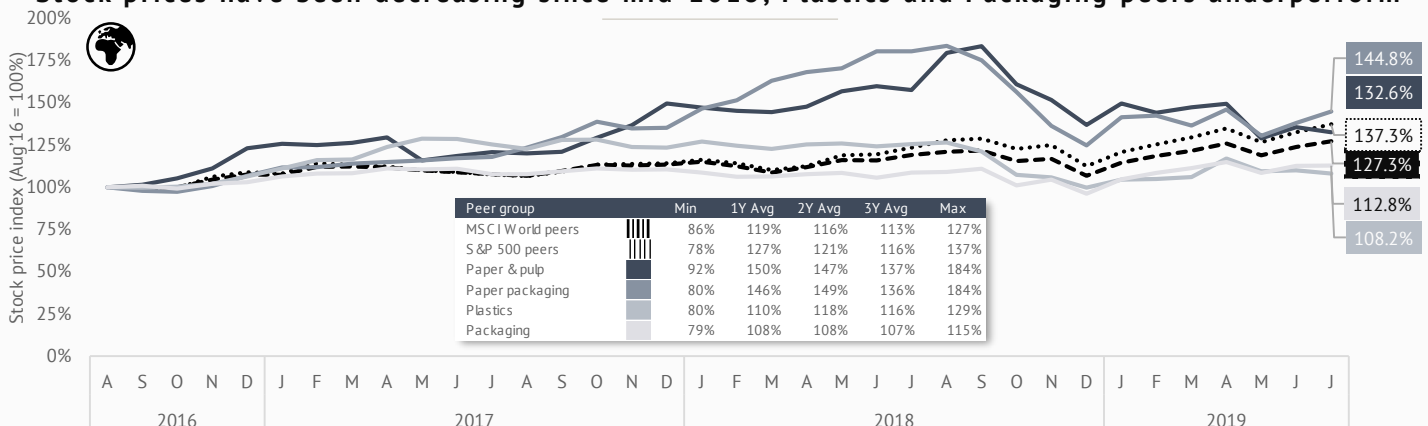
Packaging sales multiples maintained strong, unlike other sub-sectors facing a drop



Since 2014, EBITDA multiples have been hovering around, decreasing valuation bandwidth



Stock prices have been decreasing since mid-2018; Plastics and Packaging peers underperform



Peer group composition

Paper & pulp



Paper packaging



Plastics



Packaging



Operational, valuation and M&A dynamics in Machinery

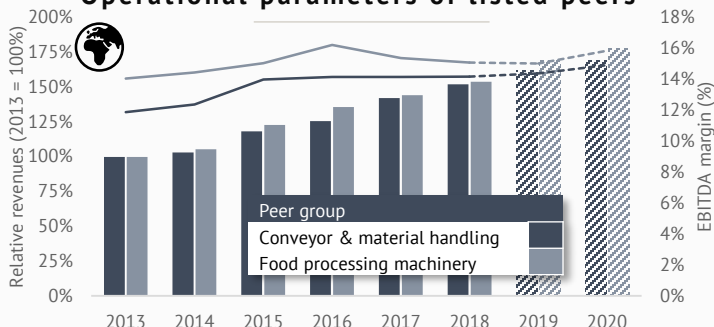
Highlights

- In the period January 2018 until June 2019, we counted 35 transactions in the Machinery market (Conveyor & Material Handling and Food Processing Machinery).
- An increasing competitive market drove strategic buyers to focus on high quality targets, while financial backed investors were looking for platform investment to enable their buy-and-build strategy.
- After a slight decline, the EBITDA multiples for companies active in the field of industrial automation and machinery (including food processing) continue to be double digits.
- The multiples of Food processing machinery continue to be superior to general conveyor & material handling.

CFI tombstones



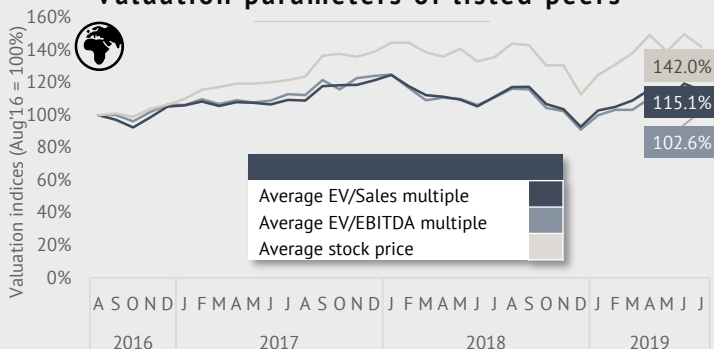
Operational parameters of listed peers



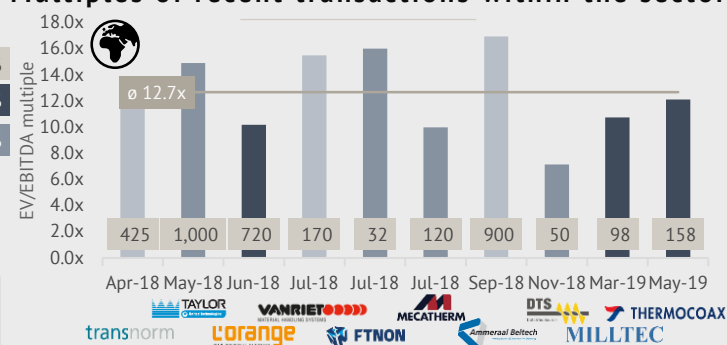
Operational outlook and trends

- Industrialisation 4.0, robotics and automated systems enable companies to increase return on investments by becoming more efficient.
- Double digit EBITDA margins are likely to continue driving the growth of the investments in Conveyor & Material Handling and Food Processing Machinery.
- The average stock price, the average sales multiple and the average EBITDA multiple are all above the index reference of 2016.

Valuation parameters of listed peers



Multiples of recent transactions within the sector



Selection of recent BeNe Machinery M&A activity

Date	Target	Country	Buyer	Country
May-19	Beselling & ALL	NL	MG Partners	NL
Apr-19	MTA	NL	MGF	NL
Apr-19	PRC Laser Europe	BE	PM Vlaanderen	BE
Apr-19	Divardy Holding	NL	Rademaker Group	NL
Mar-19	BOA Recycling Systems	NL	Quadrum Capital	NL
Mar-19	Odelft Ultrasound	NL	Smile Invest	BE
Mar-19	JOZ	NL	Rabo Participaties	NL
Feb-19	Schelde Exotech	NL	Bencis Capital Partners	NL
Feb-19	Ringeling	NL	MBI	NL
Feb-19	UNICA	BE	Profinpar	LU
Jan-19	Fraureuth	DE	Avedon Capital Partners	NL
Jan-19	Schültke	DE	Ufkes Greentech	NL
Jan-19	KW-Kranwerke	DE	Nimbus	NL
Jan-19	Techneco Engeriesystemen	NL	Remeha	NL
Oct-18	CadCam Technology Ltd.	UK	Summa NV; Gimv Private Equity	BE
Jun-18	CHP	BE	KeBek Private Equity	BE
Apr-18	PILLER Entgrattechnik	DE	Riflebird Capital	BE
Mar-18	Nikon Metrology	BE	ASF Metrology	IT
Feb-18	Tewis Smart Systems	ES	Daikin Industries	BE

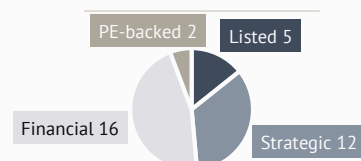
Number of deals

35

Cross-border activity

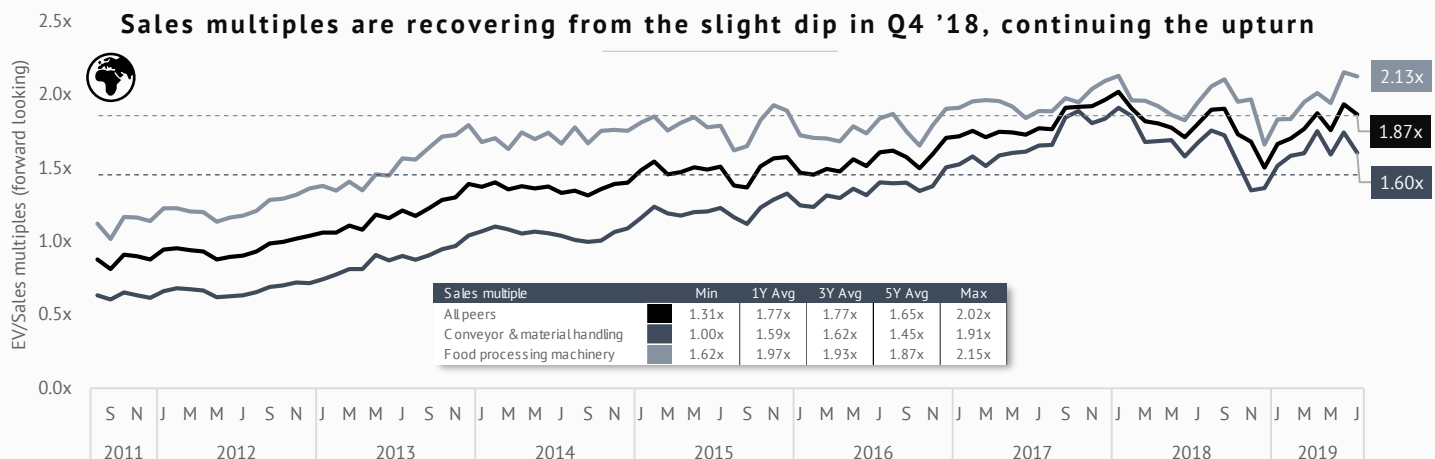


Type of buyers

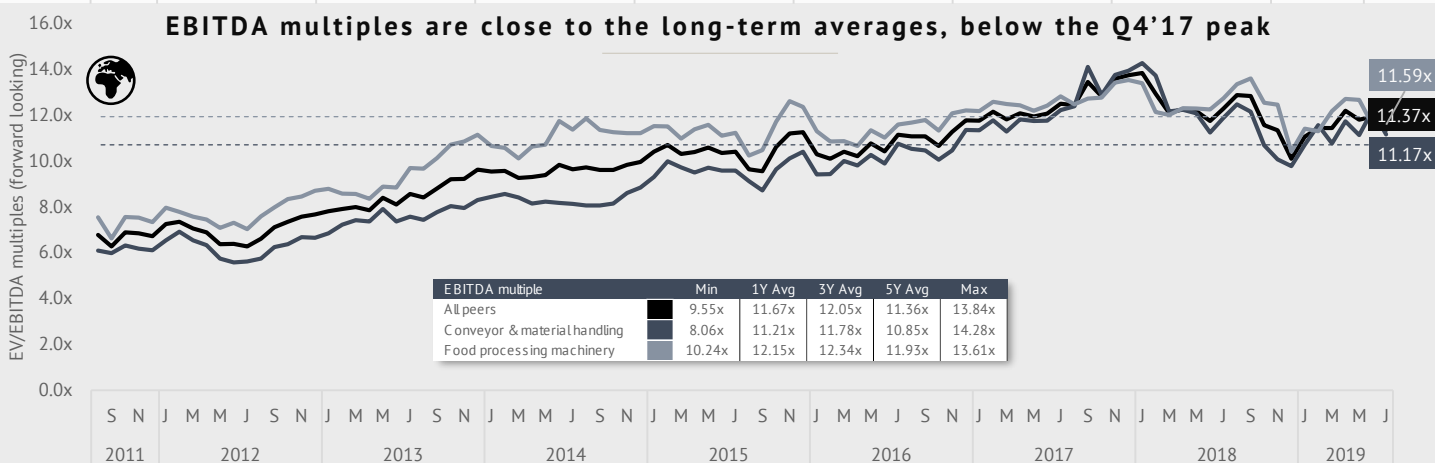


Machinery public valuation developments

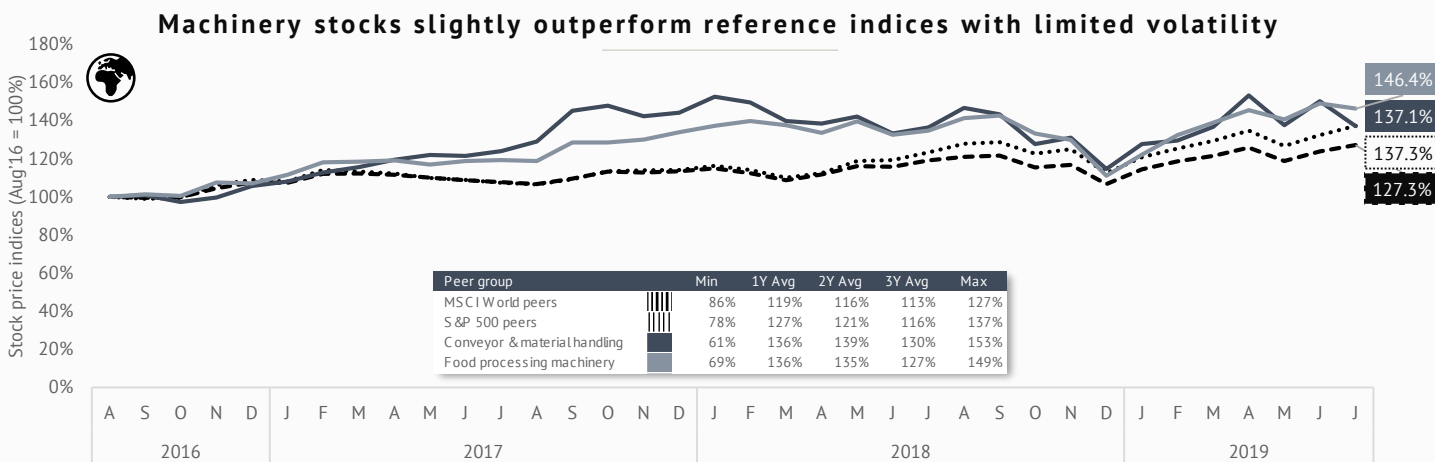
Sales multiples are recovering from the slight dip in Q4 '18, continuing the upturn



EBITDA multiples are close to the long-term averages, below the Q4'17 peak



Machinery stocks slightly outperform reference indices with limited volatility



Peer group composition

Conveyor & material handling



Food processing machinery

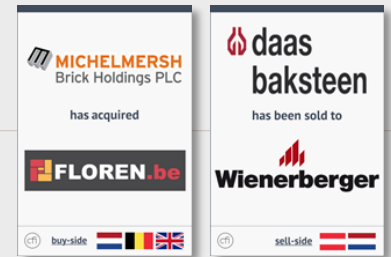


Real Estate & Construction Materials

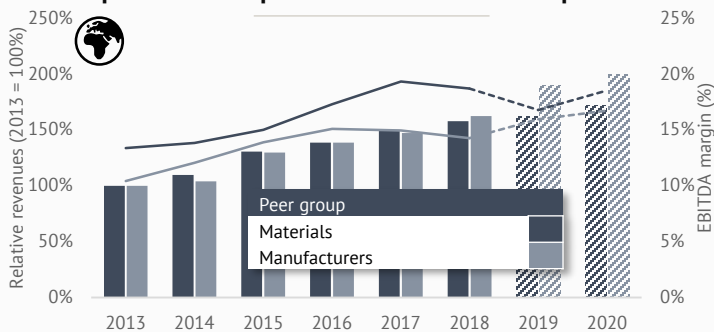
Highlights

- There has been strong growth in construction activity in most European markets. It is striking that EBITDA development lagged behind. EBITDA margin improvement is observed in the period 2013 – 2016, with flat to moderate enhancements for the years 2017 and 2018.
- We counted 57 transactions in the past 18 months with strategic investors being the dominant buyers.
- Public trading EBITDA multiples of companies active in the market of construction materials have relatively declined as compared to 2016 multiples.

CFI tombstones



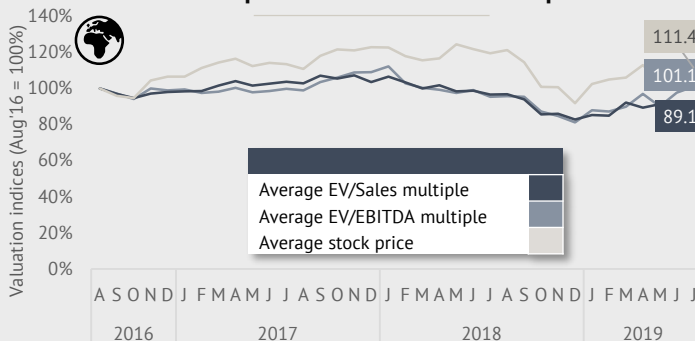
Operational parameters of listed peers



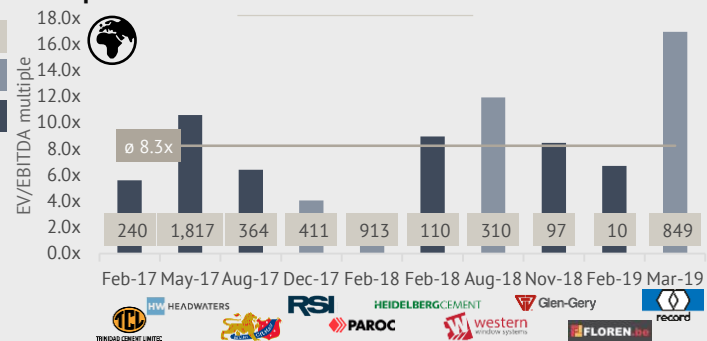
Operational outlook and trends

- M&A activity is expected to be robust through the remainder of the year 2019 as driven by solid balance sheets and access to low cost debt financing.
- Consolidation is expected for both manufactures and distributors in most verticals.

Valuation parameters of listed peers



Multiples of recent transactions within the sector



Selection of recent BeNe Construction Materials M&A activity

Date	Target	Country	Buyer	Country
Jun-19	Schellevis	NL	Gilde Equity Management	NL
May-19	WILVO	NL	Steadfast Capital	DE
May-19	Smart Battery Solutions	DE	Gimv	BE
May-19	VIOS Houttechniek	NL	Anders Invest	NL
May-19	Van Der Steen	NL	Foreman Capital	NL
May-19	Hollandia	NL	Standard Investment	NL
Apr-19	Qbiq	NL	Indutrade	SE
Apr-19	Anda Kunststeen	NL	Holonite	NL
Mar-19	247TaylorSteel	NL	Parcom	NL
Feb-19	POLFLAM	PL	Baltisse	BE
Feb-19	Floren & Cie	BE	Michelmersh Brick Holdings	UK
Feb-19	Cirex	NL	Dynacast International, Signicast	US
Jan-19	Nedal Aluminium	NL	Purso Group	FIN
Nov-18	Sainte-Lizaigne	FR	Gimv, Sainte-Lizaigne	BE
Sep-18	Vergokan	BE	Atkore International	US
Jun-18	Europe Twin Tile	BE	Metrotile Europe	BE
Jun-18	Den Daas Baksteen	NL	Wienerberger	AT
May-18	Vasco Group	BE	Arbonia	CH
Feb-18	MJ Tubes	BE	Global Metal Vision	CN

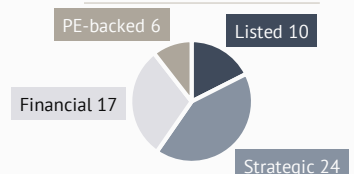
Number of deals

57

Cross-border activity

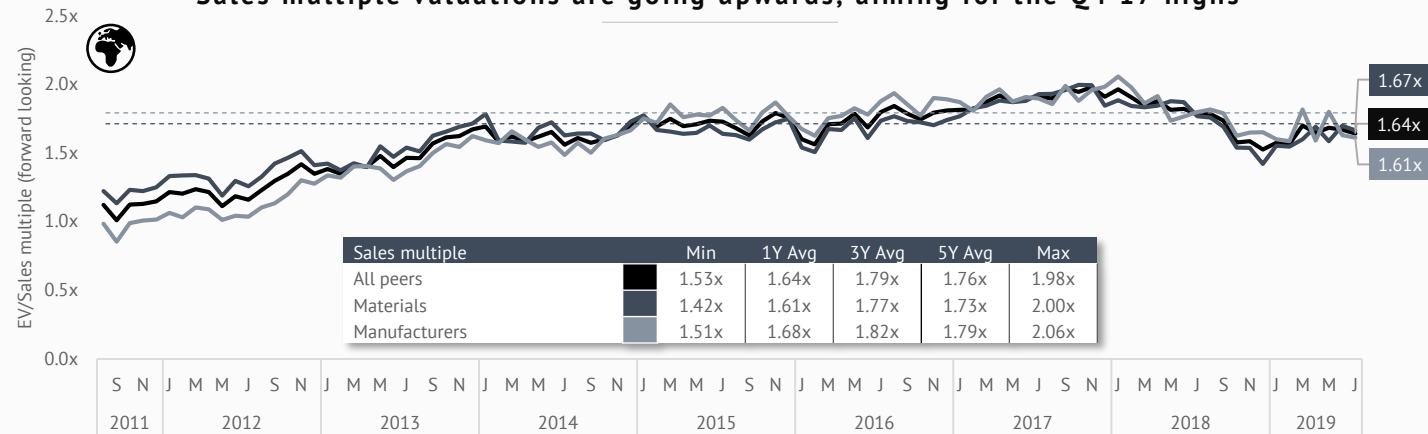


Type of buyers

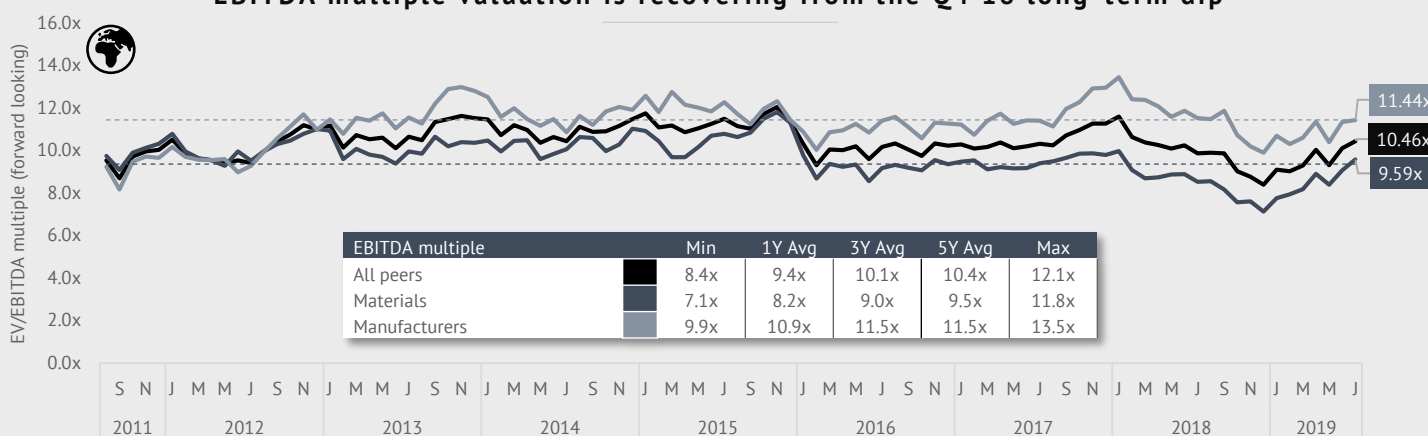


Real Estate & Construction Materials public valuation developments

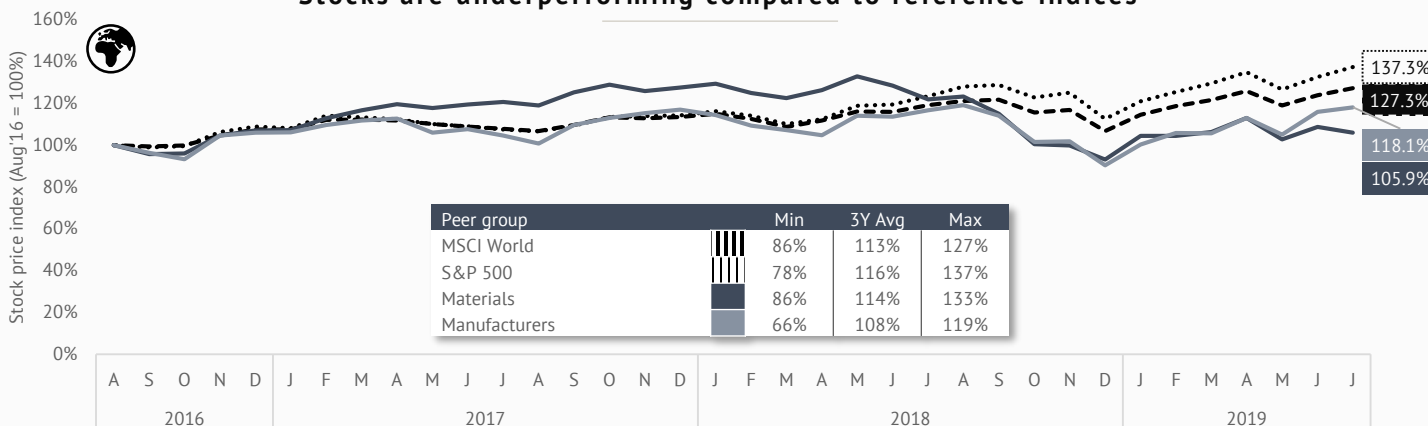
Sales multiple valuations are going upwards, aiming for the Q4'17 highs



EBITDA multiple valuation is recovering from the Q4'18 long-term dip



Stocks are underperforming compared to reference indices



Peer group composition

Materials



Manufacturers



Contact



Amsterdam



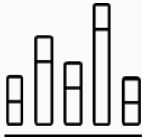
Brussels



Paris



Dusseldorf



**143 transactions
in 2018**



**>250 professionals
worldwide**



**27 offices in
19 countries**

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