

Divestitures Quarterly Update

Q3 2021



DCF's divestiture practice

Deloitte Corporate Finance LLC (DCF) is a leading global middle-market M&A adviser. Our professionals have extensive knowledge in the divestiture space and use their experience to help clients enhance value.



Divestitures leadership



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Organization overview

#1

2020 Global M&A
Advisor by deals
completed ⁽¹⁾.

487

Completed deals
in the last 12
months.

- Deep relationships in place to gain **critical strategic intelligence** and effectively market businesses.
- Worldwide, DCF has access to **2,400 Corporate Finance professionals** across 60 countries that complement the North American team.
- **Top global middle-market financial advisor** in 2020 according to Mergermarket⁽¹⁾.

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Divestiture trends ⁽¹⁾

This update will focus on news and trends in the following areas:

- US divestiture volume, value, and reported multiples
- US divestitures by buyer type
- US divestitures by industry
- Crossborder divestitures activity



Overall trends

- Divestiture activity continued its upward year-to-date 2021 trend with volumes climbing to 690 completed deals in Q3 2021 compared to 639 deals in Q2 2021 and 605 deals in Q1 2021. Divestiture activity shifted toward larger transaction sizes as pandemic recovery progresses and business environments stabilize, offering companies more confidence to pursue larger transactions. Divestitures with disclosed transaction sizes in the \$1 billion to \$5 billion range nearly doubled from 18% of divestitures in Q2 2021 to 34% in Q3 2021, and disclosed divestitures above \$5 billion also increased 2% over the previous quarter. Transaction multiples followed a similar trend, as divestitures in the 10x–15x multiple range jumped nearly 12% and divestitures with multiples below 5x declined by 9.1% relative to Q2 2021. The mix of acquiror by buyer type remained stagnant in Q3 2021, with 53% domestic strategic acquirors, 36% private equity acquirors, and 11% foreign strategic acquirors. Private equity groups have maintained their stronger presence in the divestiture space in 2021 compared to 2020, with the percent of private equity acquirors at 36% in Q3 2021 relative to 29% in Q3 2020. Overall, robust M&A and divestiture activity is expected to endure through the remainder of 2021, with divestitures remaining a key strategic tool for companies navigating continuously evolving business environments impacted by the pandemic.

Global trends

- The shift in divestiture activity from overseas acquirors toward North American acquirors continued in Q3 2021. North American acquirors completed 594 deals in Q3 2021, up from 550 in Q2 2021. The United States was the most active acquiror country, with 562 deals completed, representing an 8% increase over Q2 2021 and a 7% increase over Q3 2020. Canadian acquiror activity continued its momentum in Q3 2021, as well, with 30 transactions completed, representing a 7% increase over Q2 2021 and a 36% increase over Q3 2020. European acquiror activity fell 21.2% percent relative to Q2 2021. The United Kingdom was the most active European acquiror, remaining flat at 19 completed deals, exactly on pace with Q2 2021 activity. The United Kingdom was followed by Germany and France, with 7 and 5 deals completed, respectively. Acquiror activity in Asia likewise continued to slump in Q3 2021, decreasing 6.7% from the previous quarter. Japan overtook China and South Korea as the most active acquiror in the region, completing 4 deals. South Korea followed with 3 deals, while China, India, and Hong Kong completed 2 each.

Case study
Komatsu Ltd.

Deal contacts

Will Frame, Tony Blanchard

KOMATSU

Komatsu Ltd.

*has divested its US and
Australian-based conveying
businesses to*

stellex
CAPITAL MANAGEMENT

Stellex Capital Management LLC

*The undersigned acted as
exclusive financial advisor to
Komatsu Ltd.*

Deloitte.

Client overview

- Deloitte Corporate Finance LLC (DCF) advised Komatsu Ltd. (Komatsu) on the carve out of its US and Australian-based conveying businesses (collectively, the Business). The Business is a leading designer and manufacturer of material handling conveyor systems and components used in a variety of end markets.
 - Specializes in creating conveyor systems for underground mining, surface mining, tunneling, and aggregates ports & processing projects.
 - Operates as an end-to-end solutions provider across the globe, penetrating European, American, and Southeast Asian markets.

Situation overview

- Komatsu engaged DCF to help evaluate market alternatives and the prospect of a divestiture of their global conveyor manufacturing businesses.
- Additionally, Deloitte M&A Transaction Services assisted Komatsu with developing carve-out financials.

DCF's Role

- DCF added significant value by:
 - Developing a comprehensive and cohesive set of marketing materials which consolidated multiple disparate global businesses while clearly highlighting the Business' primary investment merits and growth opportunities.
 - Running a highly competitive marketing process, yielding numerous indications of interest and letters of intent from international and domestic strategics, as well as financial acquirors.
 - Managing an extensive diligence process, as well as advising Komatsu on negotiating a complex transaction structure.

Deloitte thought leadership

Deloitte thought leadership

- Deloitte leverages deep transaction experience to deliver customized services and high-quality results to clients operating across multiple industry groups.
- Our surgical carve-out approach to divestitures assists management to achieve a clean, yet efficient, separation designed to find the sweet spot between value, certainty of close, and speed of process.
- A demonstrated track record of helping organizations transform throughout economic cycles, all the while turning challenges into opportunities.

Extensive knowledge network

- DCF can leverage its expansive cross-business knowledge network, extensive consulting reports, and in-depth industry research to drive results and provide differentiated insights for our clients.



Be Empowered



Pay It Forward



Be Resourceful









Build Knowledge

Recent insights

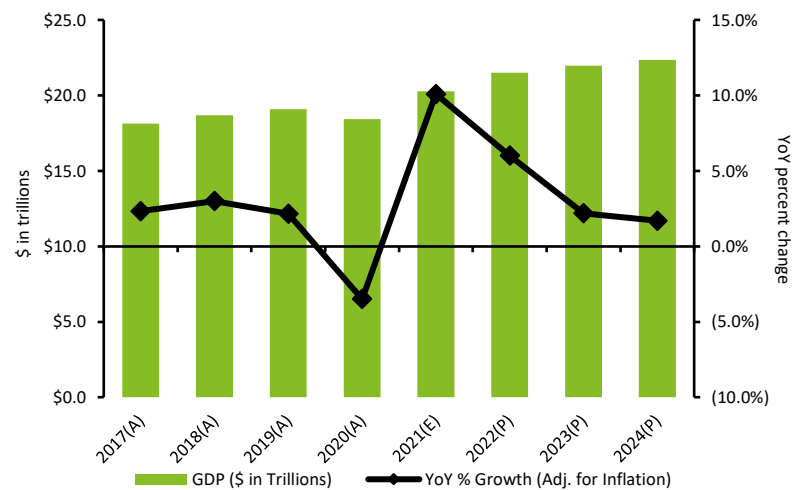


Recent middle-market divestitures⁽¹⁾

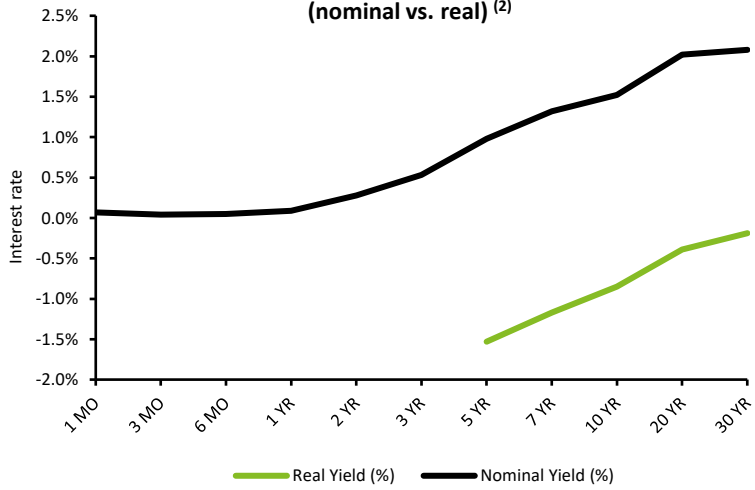
Semiconductors 	<p>Texas Instruments, Inc. acquires semiconductor factory from Micron Technology, Inc.</p> <ul style="list-style-type: none"> Texas Instruments, Inc. signed a definitive agreement to acquire a 300-mm semiconductor factory in Lehi, Utah, from Micron Technology, Inc. for \$900 million. Under the agreement, Micron will retain certain assets to redeploy at other manufacturing sites or sell to other buyers. The sale is anticipated to close by the end of 2021. 	<p>Announced Date: July 2021 Total Transaction Value: \$900 million</p>
Manufacturing 	<p>North American Pipe Corporation agrees to purchase LASCO Fittings, Inc. from Aalberts N.V.</p> <ul style="list-style-type: none"> North American Pipe Corporation entered into an equity purchase agreement to acquire LASCO Fittings, Inc. from Aalberts N.V. for approximately \$253 million. The transaction is part of Aalberts' broader divestment program strategy which emphasizes resource allocation toward businesses with niche technologies. 	<p>Announced Date: July 2021 Total Transaction Value: \$253 million</p>
Chemicals 	<p>LANXESS Corporation purchases the Microbial Control business of International Flavors & Fragrances, Inc.</p> <ul style="list-style-type: none"> LANXESS Corporation entered into an agreement to acquire the Microbial Control business unit of International Flavors & Fragrances, Inc. for approximately \$1.3 billion. IFF Microbial Control is one of the leading suppliers of antimicrobial active ingredients and formulations for material protection, preservatives, and disinfectants. 	<p>Announced date: August 2021 Total Transaction Value: \$1.3 billion</p>
Energy 	<p>Holly Energy Partners, L.P. agrees to purchase Sinclair Transportation Company from The Sinclair Companies</p> <ul style="list-style-type: none"> Holly Energy Partners, L.P. entered into an agreement to acquire Sinclair Transportation Company from The Sinclair Companies for approximately \$750 million. Holly Energy will acquire all the outstanding shares of Sinclair Transportation Company in exchange for 21 million newly issued common limited partner units and cash consideration equal to \$325 million. 	<p>Announced Date: August 2021 Total Transaction Value: \$750 million</p>
Retail 	<p>Dometic Group AB acquires Igloo Products Corporation from ACON Investments, L.L.C.</p> <ul style="list-style-type: none"> Dometic Group AB entered into an agreement to acquire Igloo Products Corp. from ACON Investments, L.L.C. for \$677 million. The agreement includes an earn-out element of up to \$223 million to be realized depending on future EBITDA performance. Igloo will continue to operate under its existing brands. 	<p>Announced Date: September 2021 Total Transaction Value: \$677 million</p>
Healthcare 	<p>Medical Properties Trust, Inc. divests 50% of acute care hospital portfolio to Macquarie Infrastructure Partners</p> <ul style="list-style-type: none"> Medical Properties Trust, Inc. announced that it has entered into an agreement with Macquarie Infrastructure Partners (MIP) to form a partnership pursuant to which an MIP-controlled subsidiary will acquire a 50% interest in a portfolio of eight Massachusetts-based general acute care hospitals. The transaction values the entire portfolio at approximately \$1.8 billion. 	<p>Announced Date: September 2021 Total Transaction Value: \$890 million</p>

Macroeconomic outlook

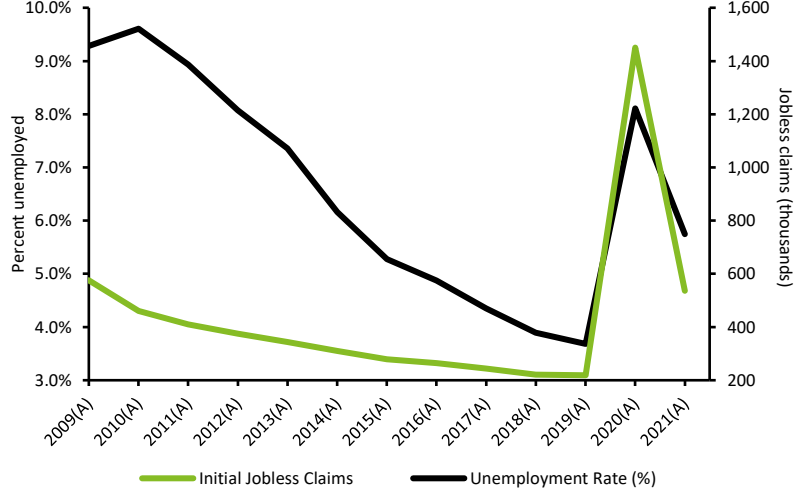
US gross domestic product ⁽¹⁾



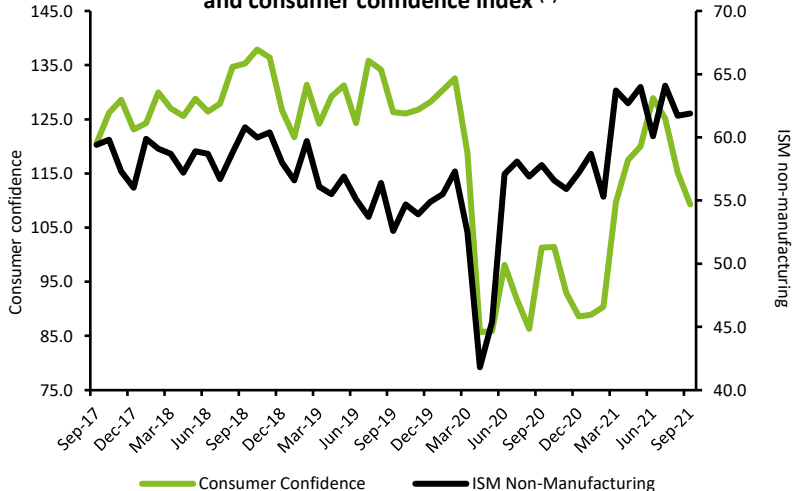
US treasury yield curve (nominal vs. real) ⁽²⁾



US unemployment rate ⁽³⁾



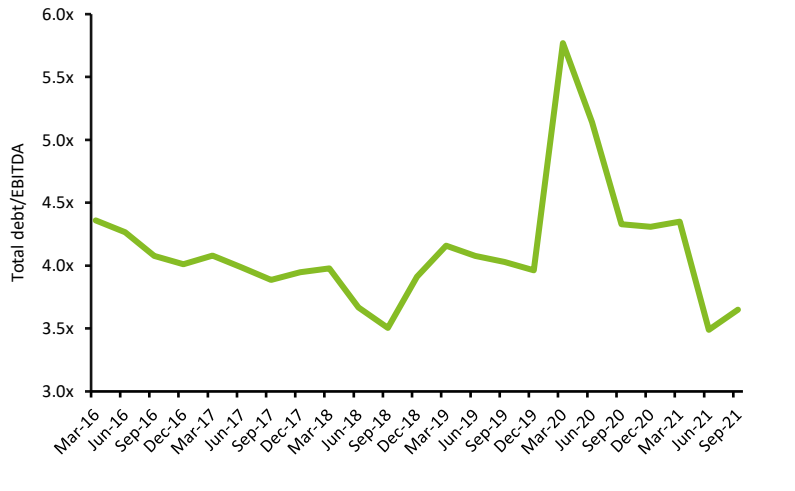
ISM non-manufacturing index and consumer confidence index ⁽⁴⁾



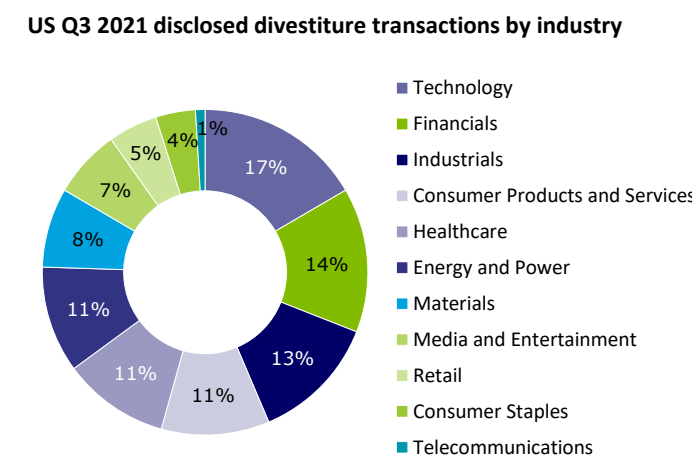
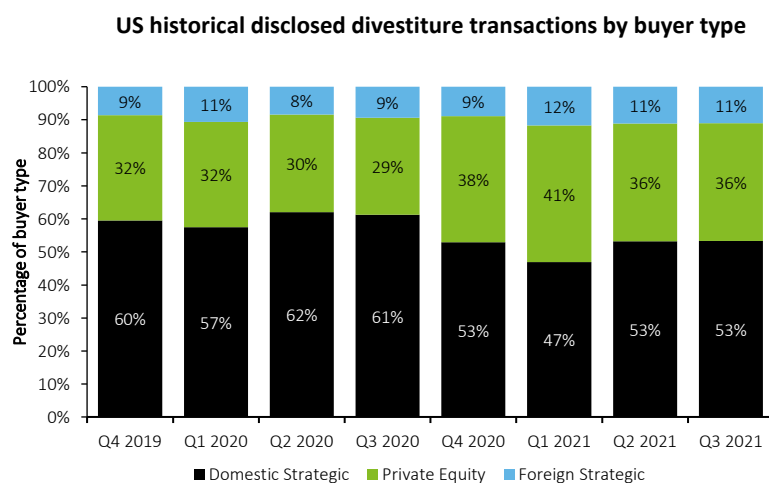
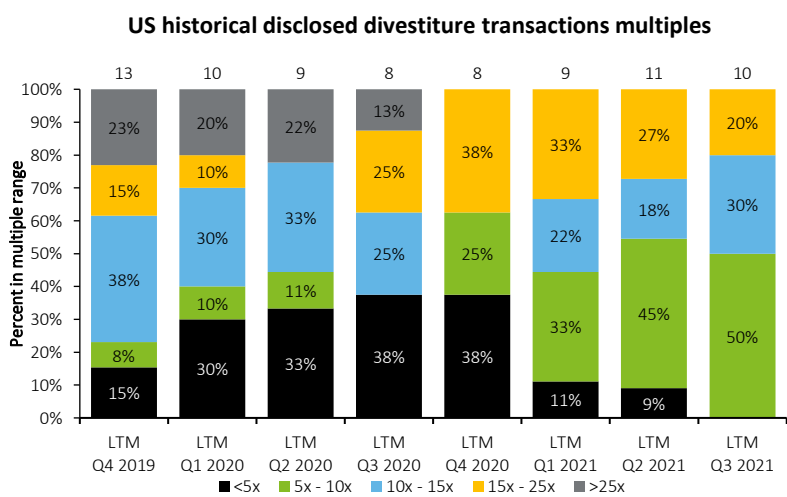
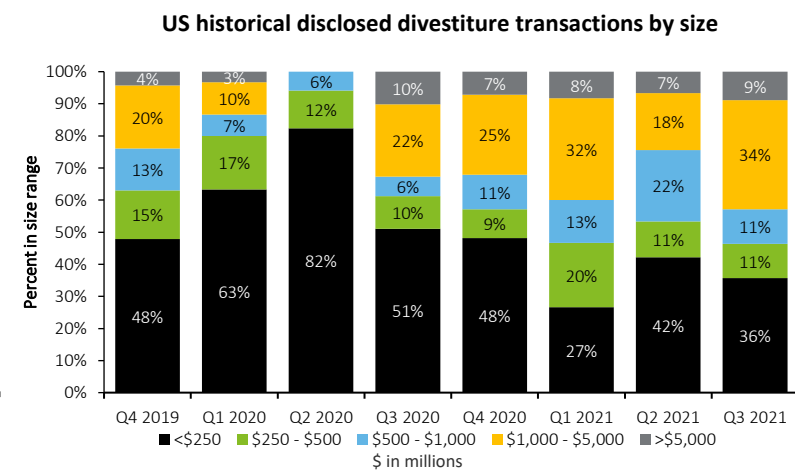
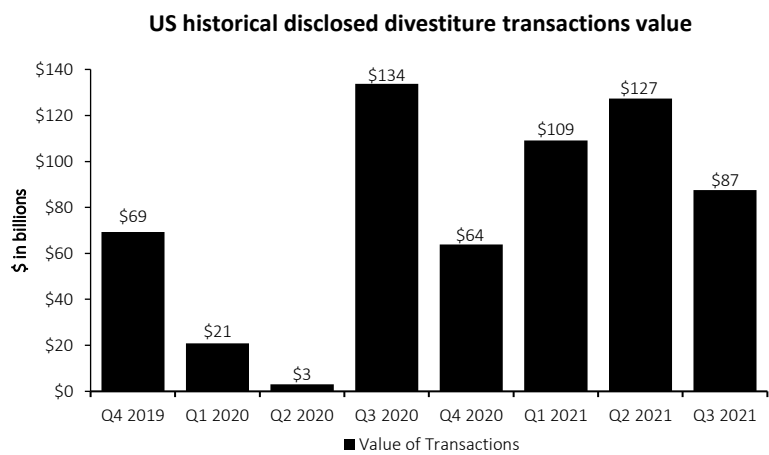
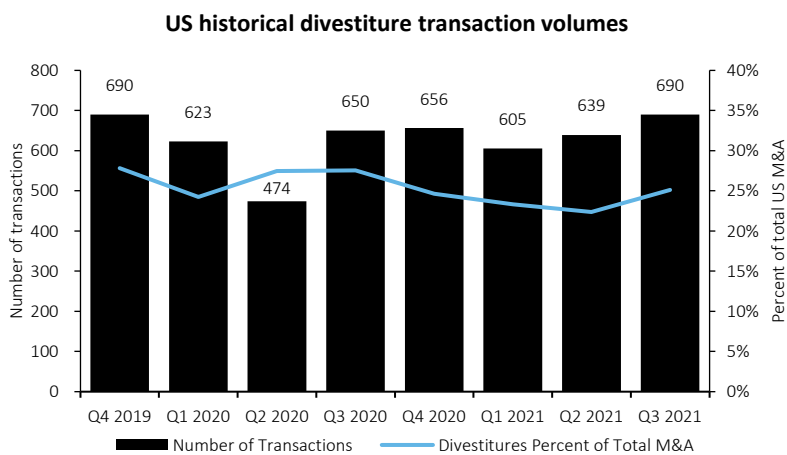
US corporate cash stockpiles of nonfinancial companies ⁽⁵⁾



S&P 500 debt/EBITDA level ⁽⁶⁾



US historical divestitures ⁽¹⁾



Global divestitures

Most active acquiror countries by region¹

Top countries	Q3 2021 transactions	Percent change over Q2 2021	Percent change over Q3 2020
Americas	594	8.4%	6.6%
United States	562	8%	5%
Canada	30	7%	36%
Bermuda	2	0%	100%
Europe	40	(21.2%)	2.6%
United Kingdom	19	0%	12%
Germany	7	250%	17%
France	5	67%	150%
Sweden	4	(33%)	33%
Netherlands	3	200%	0%
Switzerland	2	0%	(50%)
Asia	15	(6.7%)	(6.7%)
Japan	4	50%	50%
South Korea	3	50%	200%
China	2	(50%)	100%
India	2	(33%)	(50%)
Hong Kong	2	0%	0%
Other	2	(50%)	(71%)
Rest of world	5	0.0%	(28.6)%
Undisclosed acquiror	5		

Appendix

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1. Thomson ONE. Accessed October 18, 2021. Data as of September 30, 2021.

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1. Relevant transactions announced in Q3, 2021.
 - a. S&P Capital IQ. Accessed October 18, 2021. Data as of September 30, 2021.
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