

Divestiture M&A news: 2015 Q4 Recap

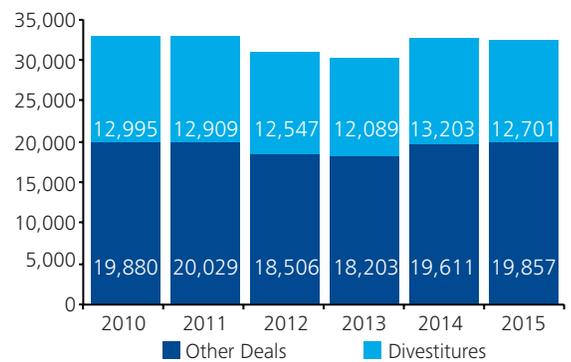
Global divestiture market strength continued in 2015

Divestiture activity remains strong globally

- The 12,701 global divestitures completed in 2015 represented 39% of worldwide M&A volume in 2015, representing a slight decline from 2014, but greater volume than in either 2012 or 2013.
- Divestiture activity has historically remained strong during recessions and market downturns relative to broader M&A activity, with volume relative to non-divestiture-related M&A increasing in each of the last three recessions ('90-'91, '01, '08-'09).⁽¹⁾

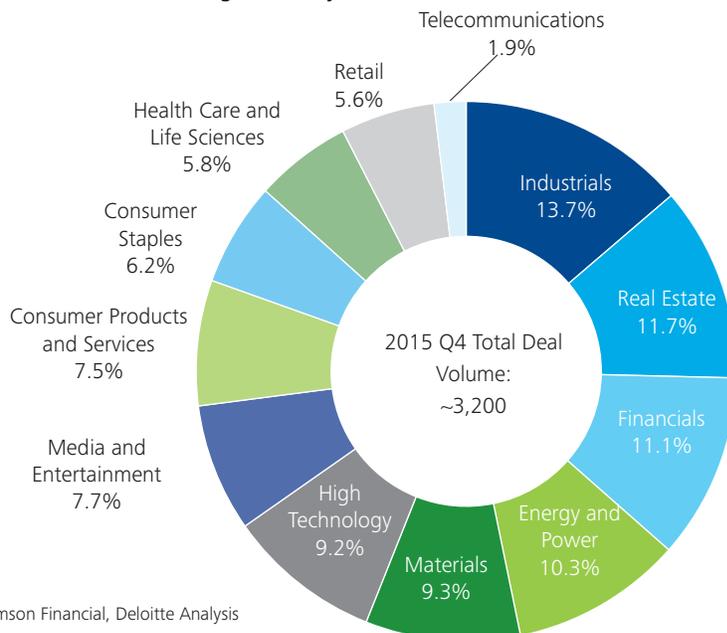
2010–2015 global divestiture activity vs total M&A activity

(# of deals)



Source: Thomson Financial, Deloitte Analysis

2015 Q4 global divestiture deal volume by target industry



Source: Thomson Financial, Deloitte Analysis

Footnote:

(1) Thomson Financial

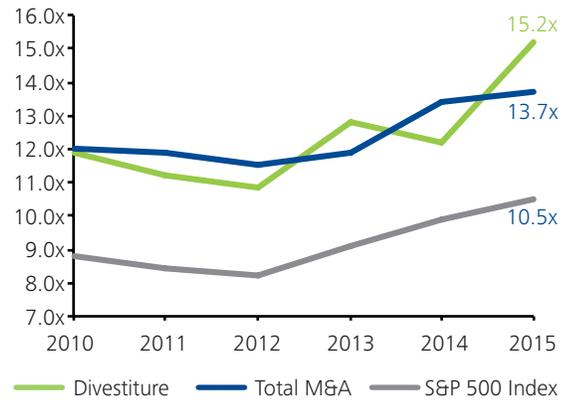
Industrials lead divestiture deal volume

- With 438 divestiture deals announced in Q4 2015, industrials has been the most active industry in carve-out activities.⁽¹⁾
- The top three industries, industrials, real estate, and financials, accounted for more than 36% of total volume.
- The total announced value of 2015 Q4 divestitures was \$409 billion.⁽¹⁾

Average divestiture EV/EBITDA multiples increase

- Average disclosed EV/EBITDA multiples increased significantly from 2014 to 2015 due to higher average valuations and lower earnings.⁽¹⁾
- For the second time since 2010, average EBITDA multiples for divestitures exceeded average transaction multiples for traditional transactions.
- Divestiture EBITDA multiples also continued to exceed the average EBITDA trading multiple for the S&P 500 index, highlighting the valuation premiums divestitures often deliver compared to businesses as a whole.

2010–2015 average divestiture vs. general M&A EBITDA multiples⁽²⁾



Source: Thomson Financial, Deloitte Analysis

Strategic buyers drive the majority of carve-out deals

- Strategic sponsors remained the largest purchasers of carve-outs, representing 64% of all buyers in 2015.
- Over the past five years, financial sponsor acquisitions have increased by 12% while strategic buyer purchases have decreased by 5%, indicating that financial sponsors are playing a more important role in the global divestiture market.

2010–2015 global divestiture deal volume by acquiror types



Footnotes:

(1) Thomson Financial

(2) Total M&A average multiples include divestitures

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In corporate development, traditional dealmaking approaches may no longer be enough to create the desired value and manage potential activism. Companies today need agility, fresh thinking, and a high tolerance for disruption to seize market opportunities in areas where new business models are still being defined.

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Technology spinoff 2015

Spin cycle: The rise of technology sector 'de-mergers'

The technology sector is continually being reshaped through merger and acquisition (M&A) activity. This article presents a brief history of technology sector divestiture activity; assesses the spin-off value proposition; analyzes the typical drivers of technology spins; presents examples of notable spin-offs; and explores how digital disruption is creating opportunities for companies to use both spin-offs and sales to create shareholder value.

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