

US divestitures quarterly update 2019 Year in Review



Divestiture trends¹

Overall trends



In 2019, US divestiture activity continued the trends unfolding over the past few years. Led by relatively stable macroeconomic conditions including GDP, unemployment rates and debt levels and slightly decreasing cash stockpiles, corporate sellers dialed back divestiture activity with the total number of divestitures declining from over 2,615 deals in 2017 to 2,059 in 2019. On a percentage of total M&A basis, the decline was much less pronounced falling from slightly more than 22 percent in 2017 to slightly below 22 percent in 2019 due to an overall decline in total M&A activity during the same period. Transaction size continues to average on the smaller end of the spectrum. The majority of disclosed transactions represent valuations below \$250m which remains a sweet spot for private equity investors who swept up approximately 25 percent of the transactions in 2018 and 2019; the most active this buyer segment has been since pre-2007.



Global activity

Acquirors of divested US businesses continue to be predominantly based in the United States although an approximately 11 percent year-over-year decline indicated a shift toward cross-border acquirors. Canada and the United Kingdom remained the most active acquiror countries by volume although both experienced meaningful declines over 2018 activity levels. China's activity slowed significantly with only three deals closed in 2019 off a high of 31 deals in 2016. With China activity in US divestitures slowing, Japan, Singapore, Switzerland and the Netherlands were the biggest winners with each experiencing year-over-year increases in closed deals on a percentage basis..

In this update:

- Divestiture trends
- Economic outlook
- Divestiture transactions
- Industry analysis
- Select M&A transactions
- Appendix

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
- Cross-border activity

In the news

December, 2019 – Newell Brands, a global consumer goods company, completed the divestiture of the United States Playing Card Company to Cartamundi NV, a Belgian manufacturer and distributor of playing cards and board games. Cartamundi said this transaction will allow them to immediately take advantage of growing playing card sales in the United States and is a perfect fit in their plans for strategic growth.²

December, 2019 – DuPont de Nemours Inc. reached an agreement to combine its nutrition business with International Flavors & Fragrances Inc. The combined company will be a top supplier of ingredients to the US food industry. The deal values DuPont's nutrition business at about \$26 billion and will provide International Flavors & Fragrances with a complementary portfolio to drive position and scale.³

December, 2019 – 3M Company announced an agreement to sell its drug-delivery business to Altaris Capital Partners in a deal valued at approximately \$650 million. 3M's drug delivery division develops and manufactures pharmaceutical products using inhalation, transdermal, microneedle, and conventional drug delivery technologies. 3M will retain its transdermal drug delivery components business and expects to receive the \$650 million in a combination of cash, an interest-bearing security and a 17 percent non-controlling interest in the new company. The sale will allow 3M to focus resources on its core health care business.⁴

September, 2019 – United Technologies Corp. completed the sale of Unitec Elevator, a provider of elevator maintenance, modernization, and code compliance services in New York, to Los Angeles-based private equity group Pacific Avenue Capital. This deal is among four other divestitures by United Technologies Corp. in 2019 and follows six prior divestitures in 2018.⁵

Who we are:

Deloitte Corporate Finance LLC is a leading global middle-market M&A adviser. Our professionals have extensive knowledge across sectors and use their experience to help clients create and act upon opportunities for liquidity, growth, and long-term advantages.

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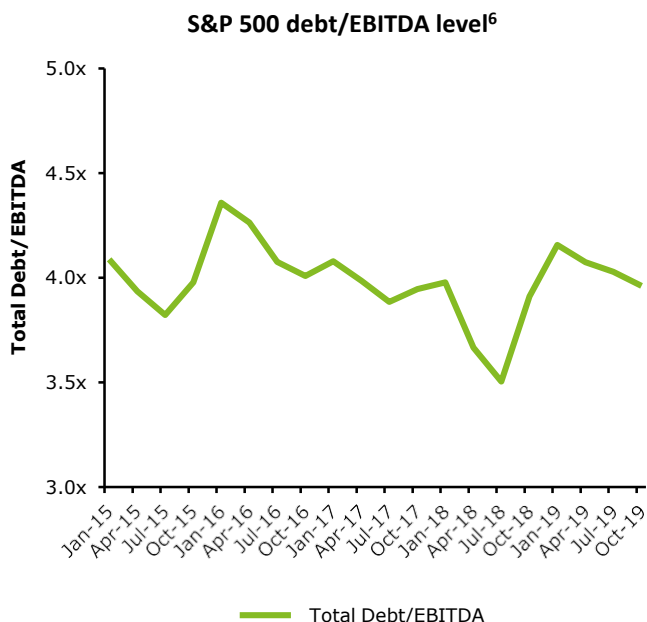
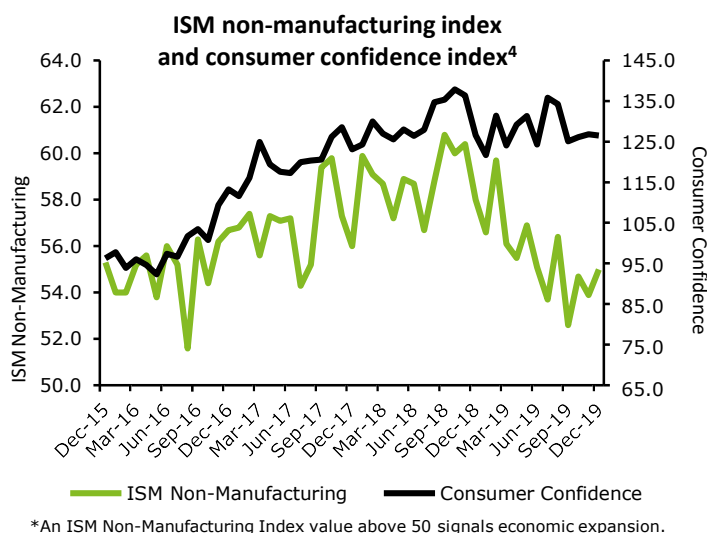
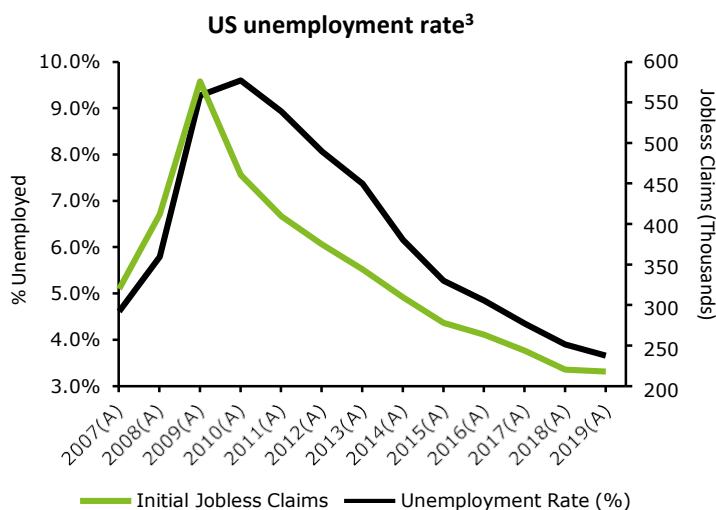
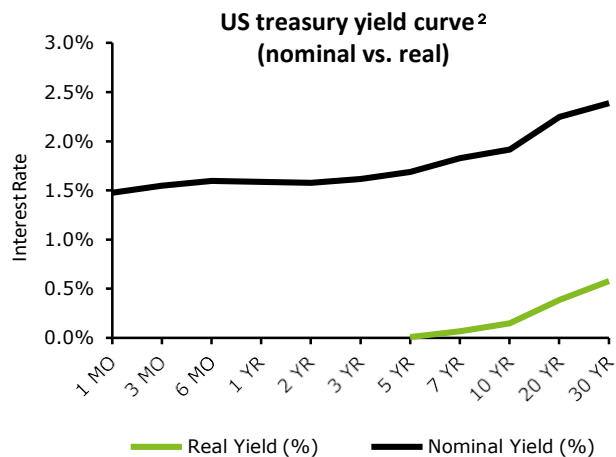
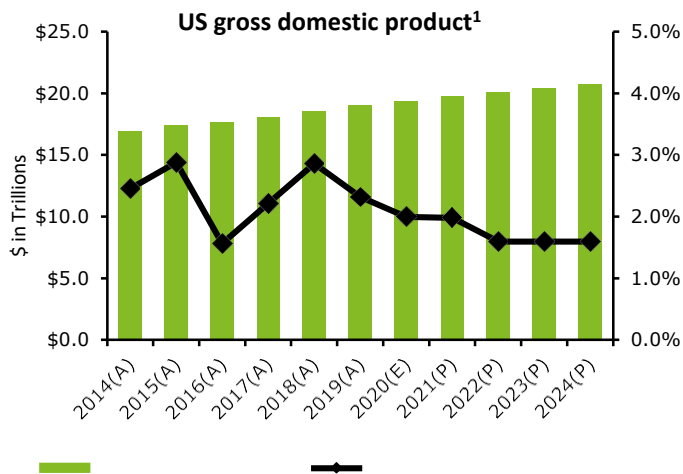
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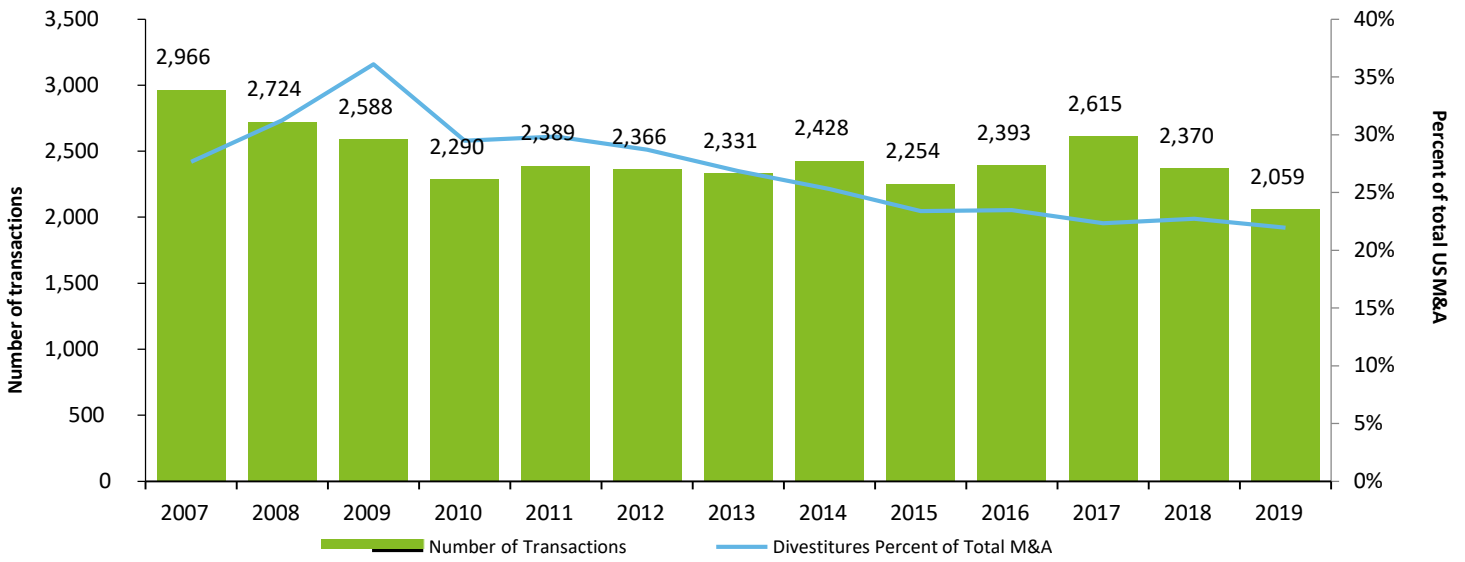
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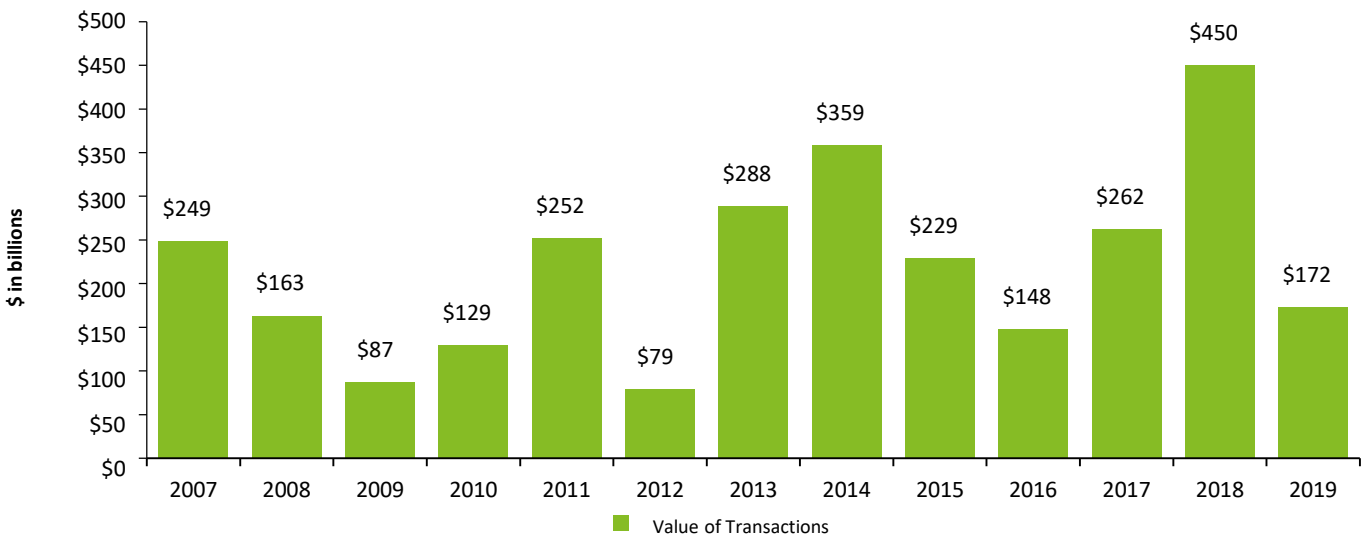
Macroeconomic outlook



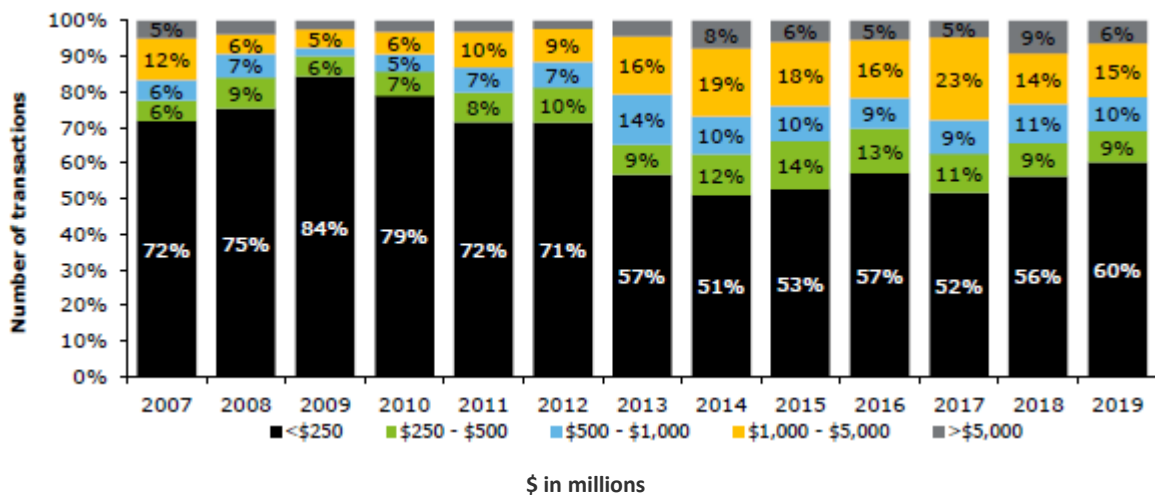
US historical divestiture transaction volumes¹



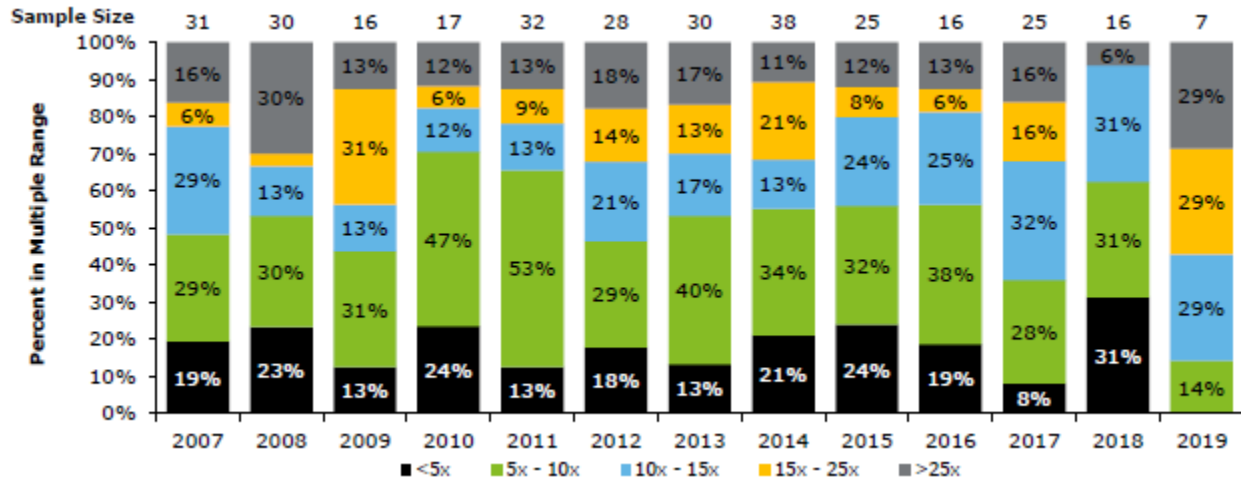
US historical disclosed divestiture transactions value²



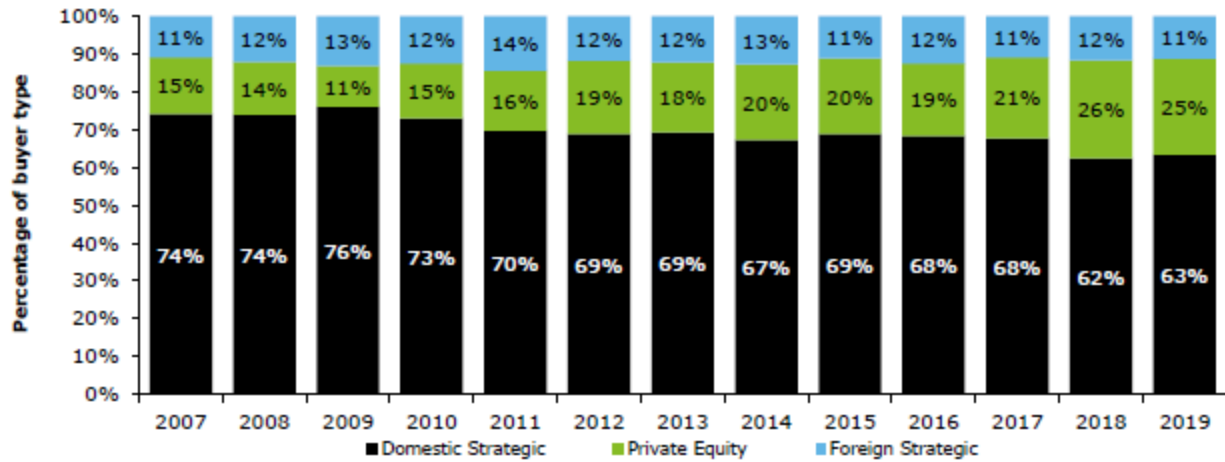
US historical disclosed divestiture transactions by size³



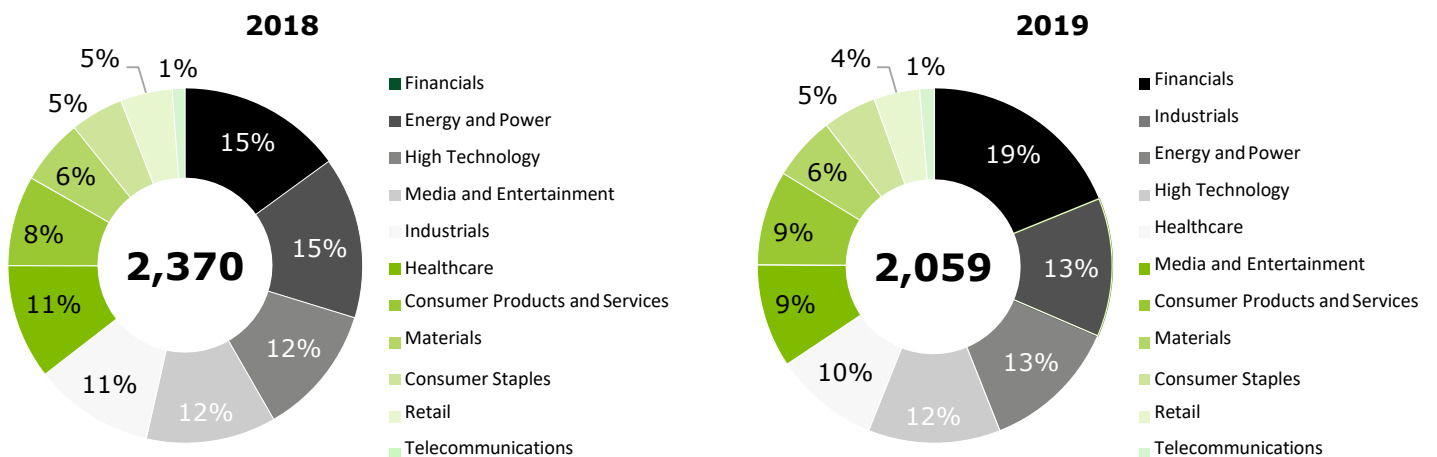
US historical disclosed divestiture transaction multiples¹



US historical divestiture transactions by buyer type²



US historical divestiture transactions by industry³



Most active acquiror countries by region¹

Top Countries	Total Transactions	% of Region	% Change Over 2018
Americas	1765		(11.1%)
United States	1692	96%	(11%)
Canada Mexico	64	4%	(21%)
Brazil	0	0%	(100%)
Chile	1	0%	(67%)
Other	1	0%	0%
	7	0%	0%
Europe	128		(2.3%)
United Kingdom	41	32%	(13%)
France	15	12%	(6%)
Germany	11	9%	(15%)
Switzerland	8	6%	14%
Netherlands	8	6%	14%
Other	45	35%	10%
Asia	51		(37.8%)
Japan	20	39%	33%
South Korea	8	16%	(27%)
Singapore	5	10%	25%
India	4	8%	(60%)
Hong Kong	4	8%	(67%)
Other	10	20%	(67%)
Rest of World	20		(9.1%)
Undisclosed Acquiror	95		

Select large US divestitures² (\$ in millions)

Announced date	Target/Ultimate parent	Acquiror	Business description	Enterprise value (EV)
Dec-19	DuPont Nutrition & Biosciences DuPont de Nemours, Inc	International Flavors & Fragrances	Dupont Nutrition & Biosciences provides healthy and sustainable solutions for the food, beverage, dietary supplement and pharmaceutical industries.	\$26,200.0
Jul-19	Upjohn, Inc. Pfizer Inc.	Mylan NV	Upjohn, Inc. manufactures biopharmaceutical drugs in the areas of cardiovascular pain, psychiatry, and urology.	24,623.0
Apr-19	Industrial Segment Business of Ingersoll-Rand plc Ingersoll-Rand plc	Gardner Denver Holdings, Inc.	Industrial Segment Business of Ingersoll-Rand plc comprises mission-critical flow control and compression equipment manufacturing operations.	8,735.5
May-19	Acelity, Inc. Chiron Holdings	3M Company	Acelity, Inc. develops and commercializes advanced wound care and regenerative medicine solutions worldwide.	6,725.0
Apr-19	Advanced Disposal Services, Inc. Advanced Disposal Services, Inc.	Waste Management, Inc.	Advanced Disposal Services, Inc. provides non-hazardous solid waste collection, transfer, recycling, and disposal services.	4,887.1
Sep-19	Aviation Capital Group LLC DuPont de Nemours, Inc	Tokyo Century Corporation	Aviation Capital Group LLC owns, manages, and leases commercial jet aircraft in the United States and internationally.	3,981.1

Deloitte Corporate Finance dedicated divestitures team



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Will Frame is the Americas leader for Deloitte Corporate Finance LLC (DCF). He also leads DCF's Industrials group. Now based in Chicago, Will has worked professionally in the United States, Europe, and Asia and specializes in leading complex cross-border M&A transactions.

Will has been a managing director with DCF in the United States since October 2000. Prior to that, he was an assistant director in the corporate finance division of Deloitte UK.

Tony Blanchard is a managing director in the Deloitte Corporate Finance LLC (DCF) Industrials Group, where he is the sector leader for industrial equipment and distribution. He has nearly 20 years of investment banking experience advising on acquisitions, sale mandates, divestitures, and other transaction-related assignments.

Tony has advised on more than 100 M&A transactions, representing approximately \$14 billion in transaction value, and including more than 50 cross-border transactions, representing over \$4.5 billion in transaction value. He has advised on multiple cross-border transactions in various countries including Brazil, Canada, China, Germany, India, Mexico, Russia, and South Africa.

Select DCF divestiture transactions

MWV
 MEADWESTVACO
MeadWestvaco Corporation
 has sold its
 Envelope Products Group to
Cenveo
 Cenveo, Inc.
 The undersigned acted as
 exclusive financial advisor to
 MeadWestvaco Corporation
Deloitte.

MWV
 MEADWESTVACO
MeadWestvaco Corporation
 has sold its global media and
 entertainment packaging
 business to
ATLAS HOLDINGS
 Atlas Holdings LLC
 The undersigned acted as
 exclusive financial advisor to
 MeadWestvaco Corporation
Deloitte.

MWV
 MEADWESTVACO
MeadWestvaco Corporation
 has sold its European Beauty
 and Personal Care Folding
 Carton Operation to
ASG
 The undersigned acted as
 financial advisor to
 MeadWestvaco Corporation
Deloitte.

Reynolds
 Packaging Group
Reynolds Packaging Group
 has sold its Medical Packaging
 Business to
BRENTWOOD
Brentwood Industries
 The undersigned acted as
 financial advisor to
 Reynolds Packaging Group
Deloitte.

Flat Rock Metal Processing LLC
 has sold certain assets and business to
PRECISION STRIP, INC.
 a subsidiary of
Reliance Steel & Aluminum Co.
 The undersigned initiated this transaction
 and acted as exclusive financial advisor to
 Flat Rock Metal Processing, LLC
Deloitte.

DAIMLERCHRYSLER
 DaimlerChrysler Corporation has
 sold the net operating assets of
 Huntsville Electronics
 to
SIEMENS VDO
 Automotive
**Siemens VDO Automotive
 Electronics Corporation**
 The undersigned acted as
 exclusive financial advisor to
 DaimlerChrysler Corporation
Deloitte.

Bochum, Germany
 Research and
 Development Center of
BlackBerry
BlackBerry Limited
 has been acquired by
Volkswagen AG
 The undersigned acted as
 exclusive financial advisor to
 BlackBerry Limited
Deloitte.

Parker **Wynn's**
Parker-Hannifin Corporation
 has sold the net
 operating assets of
 Wynn Oil Company
 to
ITW
Illinois Tool Works Inc.
 The undersigned acted as
 exclusive financial advisor to
 Parker-Hannifin Corporation
Deloitte.

Ogihara
Ogihara America Corporation
 Has sold its Alabama
 operations to
Cosma International Group
 a subsidiary of
Magna International, Inc.
 The undersigned acted as
 financial advisor to Ogihara
 America Corporation
Deloitte.

WOODHARBOR
 Woodharbor Doors &
 Cabinetry, Inc.
 has sold its Northwood, IA
 doors division to
TRUSTILE
TruStile Doors, LLC
 The undersigned acted as exclusive
 financial advisor to Woodharbor
 Doors & Cabinetry, Inc.
Deloitte.

Raytheon
Flight Options, LLC
 a wholly owned subsidiary of
Raytheon Company
H.I.C. Capital
 The undersigned acted as
 financial advisor to
 Raytheon Company
Deloitte.

Hertz
 The Hertz Corporation
 has divested its
 Brazil operations to
Localiza
Localiza Rent a Car S.A.
 The undersigned acted as
 exclusive financial advisor to
 The Hertz Corporation
Deloitte.

CSW
CSW Industrials, Inc.
 has sold certain assets of its
 wholly owned subsidiary
STRATHMORE
Strathmore Products, Inc.
 to
RPM
RPM International Inc.
 The undersigned acted as
 exclusive financial advisor to
 CSW Industrials, Inc.
Deloitte.

Disposal of
EVONIK
**Evonik's North American
 Sodium Cyanide
 Operations**
 to
Oaktree Capital Management
 The undersigned acted as
 financial advisor to
 Evonik Degussa GmbH
Deloitte.

U.S. Green Building Council
 has sold the net assets of
**Greenbuild International
 Conference and Expo**
 to
hanleywood
Hanley Wood LLC
 The undersigned acted as
 exclusive financial advisor to
 U.S. Green Building Council
Deloitte.

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2. Thomson ONE, <https://www.thomsonone.com>, accessed March 25, 2020, data as of December 31, 2019.
3. Thomson ONE, <https://www.thomsonone.com>, accessed March 25, 2020, data as of December 31, 2019.

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1. Thomson ONE, <https://www.thomsonone.com>, accessed March 25, 2020, data as of December 31, 2019. Multiple of reported earnings.
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3. Thomson ONE, <https://www.thomsonone.com>, accessed March 25, 2020, data as of December 31, 2019.

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1. Thomson ONE, <https://www.thomsonone.com>, accessed March 25, 2020, data as of December 31, 2019.
2. Thomson ONE, <https://www.thomsonone.com>, accessed March 25, 2020, data as of December 31, 2019.

Additional note: All transaction date excludes government, government agency, and real estate company activity.

Deloitte Corporate Finance LLC (DCF)

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