Divestiture trends

Overall trends

Although COVID-19 had a severe negative effect on macroeconomic trends in Q1 2020, divestiture activity has yet to be drastically affected. Divestiture volume in 2020 dropped from 135 deals in February to 123 deals in March, a trend paralleled last year with February and March 2019 volumes of 142 and 126, respectively. However, canceled deals like Victoria’s Secret’s sale to Sycamore Partners late in the quarter suggest a pending decline in activity as uncertainty has pervaded the market. As a percentage of total M&A, Q1 2020 divestitures were in line with 2019 at 19 percent after the slight uptick in activity to 21 percent in Q4 2019. Transaction size continues to average on the small-to-mid-sized transaction end of the spectrum. The majority of disclosed transactions represent valuations below $250 million which continues to attract private equity investors who swept up about 27 percent of the transactions in Q1 2020.

Global activity

Acquirors of divested US businesses continue to be predominantly based in the United States, evidenced by an approximately 5 percent increase in domestic acquirors since Q1 2019. Canada and the United Kingdom remained the most active acquiror countries by volume, with Canada experiencing a meaningful decrease and the United Kingdom a meaningful increase on a year-over-year basis. Europe, as a whole, saw increased activity over the same time frame in 2019, as continental Europe saw a meaningful increase in activity. China’s activity continues to slow, closing only one deal in Q1 2020 off a quarterly high of five deals in Q3 2018. With China activity slowing, France, Netherlands, and Israel were the biggest winners with each experiencing increases in closed deals compared with Q1 2019.

In the news

March, 2020 – Hillenbrand, Inc. announced that it has entered into a definitive agreement to sell its Cimcool business to DuBois Chemicals, Inc., a developer and manufacturer of specialty chemical solutions. Hillenbrand’s Cimcool business designs, manufactures, and services metalworking fluids and was part of the 2019 acquisition of Milacron Holdings Corp. The sale aligns with previously announced intentions to find strategic alternatives for the business.²

March, 2020 – News Corporation announced that it has entered into a definitive agreement to sell its News America Marketing Business, a provider of advertising and promotion programs, to Charlesbank Capital Partners. News Corporation expects the sale to enable it to highlight the value of its other properties and marks a significant step toward its goal of simplifying the structure of News Corporation.³

February, 2020 – Accenture, a global professional services company, announced the completion of its acquisition of the Workday, Salesforce, and US MuleSoft practices of Sierra-Cedar. The acquisition will expand Accenture’s current position as a leader in the Workday ecosystem. Financial terms of the transaction were not disclosed.⁴

January, 2020 – BAE Systems announced an agreement to buy two subsidiaries being divested for antitrust reasons by Raytheon and UTC. As part of the agreement, BAE Systems will acquire Raytheon’s Airborne Tactical Radios business and UTC subsidiary Collins Aerospace’s Military Global Positioning business. BAE Systems says the opportunity to acquire critical radio and GPS capabilities strengthens its position as a leading provider of defense electronics and communications systems. Raytheon and UTC have announced plans to merge this coming June.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.

Contacts

Will Frame
Managing Director
Deloitte Corporate Finance LLC
wframe@deloitte.com
+1 312 486-4458

Tony Blanchard
Managing Director
Deloitte Corporate Finance LLC
anblanchard@deloitte.com
+1 312 486-1640
Macroeconomic outlook

US gross domestic product ($ in trillions)

US treasury yield curve (nominal vs. real)

US unemployment rate (percent unemployed)

ISM non-manufacturing index and consumer confidence index

US corporate cash stockpiles of nonfinancial companies

S&P 500 debt/EBITDA level

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### US historical disclosed divestiture transaction multiples

#### Sample size

<table>
<thead>
<tr>
<th>Period</th>
<th>&lt;5x</th>
<th>5x - 10x</th>
<th>10x - 15x</th>
<th>15x - 25x</th>
<th>&gt;25x</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTM Q2 2018</td>
<td>13%</td>
<td>29%</td>
<td>28%</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>LTM Q3 2018</td>
<td>17%</td>
<td>43%</td>
<td>35%</td>
<td>28%</td>
<td>11%</td>
</tr>
<tr>
<td>LTM Q4 2018</td>
<td>29%</td>
<td>29%</td>
<td>27%</td>
<td>27%</td>
<td>11%</td>
</tr>
<tr>
<td>LTM Q1 2019</td>
<td>38%</td>
<td>26%</td>
<td>28%</td>
<td>18%</td>
<td>14%</td>
</tr>
<tr>
<td>LTM Q2 2019</td>
<td>36%</td>
<td>27%</td>
<td>29%</td>
<td>11%</td>
<td>20%</td>
</tr>
<tr>
<td>LTM Q3 2019</td>
<td>38%</td>
<td>26%</td>
<td>27%</td>
<td>29%</td>
<td>11%</td>
</tr>
<tr>
<td>LTM Q4 2019</td>
<td>43%</td>
<td>35%</td>
<td>33%</td>
<td>29%</td>
<td>20%</td>
</tr>
<tr>
<td>LTM Q1 2020</td>
<td>43%</td>
<td>35%</td>
<td>33%</td>
<td>29%</td>
<td>20%</td>
</tr>
</tbody>
</table>

### US historical divestiture transactions by buyer type

#### Percentage of buyer type

<table>
<thead>
<tr>
<th>Period</th>
<th>Domestic Strategic</th>
<th>Private Equity</th>
<th>Foreign Strategic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2018</td>
<td>61%</td>
<td>63%</td>
<td>61%</td>
</tr>
<tr>
<td>Q3 2018</td>
<td>63%</td>
<td>61%</td>
<td>61%</td>
</tr>
<tr>
<td>Q4 2018</td>
<td>61%</td>
<td>65%</td>
<td>61%</td>
</tr>
<tr>
<td>Q1 2019</td>
<td>65%</td>
<td>61%</td>
<td>61%</td>
</tr>
<tr>
<td>Q2 2019</td>
<td>61%</td>
<td>63%</td>
<td>63%</td>
</tr>
<tr>
<td>Q3 2019</td>
<td>63%</td>
<td>65%</td>
<td>65%</td>
</tr>
<tr>
<td>Q4 2019</td>
<td>65%</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Q1 2020</td>
<td>60%</td>
<td>60%</td>
<td>60%</td>
</tr>
</tbody>
</table>

### US historical divestiture transactions by industry

#### Industries

- **Q1 2019**: 399 deals
  - Industrials: 15%
  - Energy and Power: 13%
  - High Technology: 10%
  - Media and Entertainment: 13%
  - Financials: 6%
  - Healthcare: 6%
  - Materials: 8%
  - Consumer Products and Services: 10%
  - Retail: 11%
  - Consumer Staples: 11%
  - Telecommunications: 8%

- **Q1 2020**: 414 deals
  - Industrials: 14%
  - Energy and Power: 13%
  - High Technology: 6%
  - Consumer Products and Services: 12%
  - Retail: 11%
  - Materials: 10%
  - Consumer Staples: 12%
  - Media and Entertainment: 6%
  - Financials: 6%
  - Healthcare: 5%
  - Telecommunications: 12%
## Most active acquiror countries by region

<table>
<thead>
<tr>
<th>Region</th>
<th>Total transactions</th>
<th>Percent change over Q4 2019</th>
<th>Percent change over Q1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>344</td>
<td>(18.9%)</td>
<td>1.8%</td>
</tr>
<tr>
<td>United States</td>
<td>332</td>
<td>(19%)</td>
<td>5%</td>
</tr>
<tr>
<td>Canada</td>
<td>12</td>
<td>(8%)</td>
<td>0%</td>
</tr>
<tr>
<td>Mexico</td>
<td>0</td>
<td>(100%)</td>
<td>0%</td>
</tr>
<tr>
<td>Brazil</td>
<td>0</td>
<td>(100%)</td>
<td>0%</td>
</tr>
<tr>
<td>Chile</td>
<td>0</td>
<td>(100%)</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>(100%)</td>
<td>0%</td>
</tr>
<tr>
<td>Europe</td>
<td>30</td>
<td>(6.3%)</td>
<td>11.1%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>12</td>
<td>(20%)</td>
<td>20%</td>
</tr>
<tr>
<td>France</td>
<td>4</td>
<td>50%</td>
<td>100%</td>
</tr>
<tr>
<td>Germany</td>
<td>3</td>
<td>50%</td>
<td>100%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3</td>
<td>100%</td>
<td>200%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2</td>
<td>100%</td>
<td>200%</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>(40%)</td>
<td>0%</td>
</tr>
<tr>
<td>Asia</td>
<td>8</td>
<td>(42.9%)</td>
<td>(33.3%)</td>
</tr>
<tr>
<td>Japan</td>
<td>2</td>
<td>(71%)</td>
<td>(71%)</td>
</tr>
<tr>
<td>South Korea</td>
<td>2</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Singapore</td>
<td>1</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>India</td>
<td>1</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>(80%)</td>
<td>(50%)</td>
</tr>
<tr>
<td>Rest of world</td>
<td>2</td>
<td>(75.0%)</td>
<td>(50.0%)</td>
</tr>
<tr>
<td>Undisclosed acquiror</td>
<td>30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Select large US divestitures

<table>
<thead>
<tr>
<th>Announced date</th>
<th>Target/Ultimate parent</th>
<th>Acquiror</th>
<th>Business description</th>
<th>Enterprise value (EV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-20</td>
<td>ID Analytics, LLC</td>
<td>RELX Group plc</td>
<td>ID Analytics, LLC develops consumer risk management software solutions.</td>
<td>$375.0</td>
</tr>
<tr>
<td></td>
<td>NortonLifeLock Inc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MAC Trailer Leasing, Inc.</td>
<td>Marubeni Corporation</td>
<td>MAC Trailer Leasing, Inc. is a refrigerated trailer and container leasing, rental, and maintenance company.</td>
<td>290.0</td>
</tr>
<tr>
<td>Feb-20</td>
<td>American Steamship Company</td>
<td>GATX Corporation</td>
<td>American Steamship Company provides waterborne dry-bulk self-unloader transportation services on the Great Lakes.</td>
<td>260.0</td>
</tr>
<tr>
<td></td>
<td>PersonalizationMall.com, LLC</td>
<td>Bed Bath &amp; Beyond Inc.</td>
<td>PersonalizationMall.com, LLC retails a selection of personalized gifts for various recipients and occasions online.</td>
<td>252.0</td>
</tr>
<tr>
<td>Feb-20</td>
<td></td>
<td>1-800-FLOWERS.COM, Inc.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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.

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A demonstrated approach to divestitures

**Maximize impact of financials**
- Standalone financials accurately capture business results and will stand up to buyer diligence
- Focus on areas that may drive value:
  - Pro forma normalized results examined by Deloitte Transaction Services team
  - Potential areas for buyer synergies based on intel from Deloitte network
  - Supportable and well thought out growth story

**Positioning the company**
- Develop tailored positioning and highlight specific insights
- Create optimized presentation of information
- Identify and assist to resolve potential issues early

**Maximize value at favorable terms**
- Customized deal positioning for each buyer leveraging global Deloitte network to access key decision-makers
- Bespoke process to create competition while providing sense of unique opportunity
- Prepare client to negotiate from a position of strength
- Gain agreement on key contract terms prior to granting exclusivity

**Certainty of close**
- Proactively address transaction risks before they turn into “buyer issues”
- Leverage Deloitte’s tax and accounting advisers to understand potential deal structure options
- Evaluate trade-offs between value and complexity, including transition services agreements
- Utilize deep buyer knowledge to engage serious bidders with limited retrading risks
- Commitment of senior resources throughout the entire sale process

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“When it comes to M&A, no one rivals Deloitte’s infrastructure, commitment, expertise, or representation”
- CEO, Emerson Electric
Sources cited

Page 2:

Page 3:

Page 4:
2. Undisclosed refers to transactions with enterprise values that were not made known or public.

Page 5:
2. Multiple of reported earnings.

Page 6:

Additional note: All transaction data excludes government, government agency, and real estate company activity.
Deloitte Corporate Finance LLC (DCF)

DCF provides deal execution and lead financial advisory services to large corporate, middle-market, private equity, and venture capital firms. DCF and its affiliates maintain a presence in key US financial centers.

For additional information, or to find out more about how DCF can assist the deal initiation and execution process, please contact one of our DCF managing directors:

Phil Colaco  
CEO  
philcolaco@deloitte.com  
+1 704 333 0533

Doug Bolt  
dbolt@deloitte.com  
+1 704 731 7219

Bill Kerkm  
wkerkm@deloitte.com  
+1 980 312 3613

Lou Paone  
lpaone@deloitte.com  
+1 704 731 7202

Jonathan Adams  
jonadams@deloitte.com  
+1 214 840 1779

John Deering  
jdeering@deloitte.com  
+1 704 333 0574

Jamie Lewin  
jlewin@deloitte.com  
+1 214 840 7057

Matt Preece  
mpreece@deloitte.com  
+1 704 731 7186

Keith Adams  
keadams@deloitte.com  
+1 404 631 3455

Lorin DeMordaunt  
ldemordaunt@deloitte.com  
+1 704 333 0591

James Miller  
jamesmiller5@deloitte.com  
+1 704 731 8230

Justin Silber  
jsilber@deloitte.com  
+1 404 942 6960

Eric Andreozzi  
eandreozzi@deloitte.com  
+1 704 333 0518

Will Frame  
wframe@deloitte.com  
+1 312 486 4458

Byron Nelson  ynelson@deloitte.com  
+1 469 417 2462

Tom Spivey  
tspivey@deloitte.com  
+1 214 840 7014

Tony Blanchard  
anblanchard@deloitte.com  
+1 313 396 3738

Simon Gisby  
sgisby@deloitte.com  
+1 212 436 2495

Jonathan Ohm  
john@deloitte.com  
+1 212 436 2287

Vijay Balasubramanian  
vbalasubramanian@deloitte.com  
+1 212 313 1723

Deloitte Corporate Finance Business Development group:

Brad Heston  
Senior Vice President  
bheston@deloitte.com  
+1 404 631 3839

John Lindsey  
Senior Vice President  
jlindsey@deloitte.com  
+1 469 417 2147

Bill Pucci  
Senior Vice President  
wpucci@deloitte.com  
+1 973 602 4542

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