



US divestitures quarterly update Q1 2020



Divestiture trends¹

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 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

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

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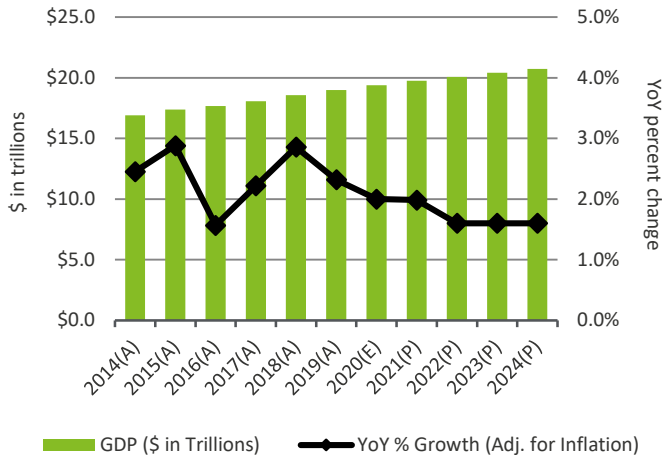
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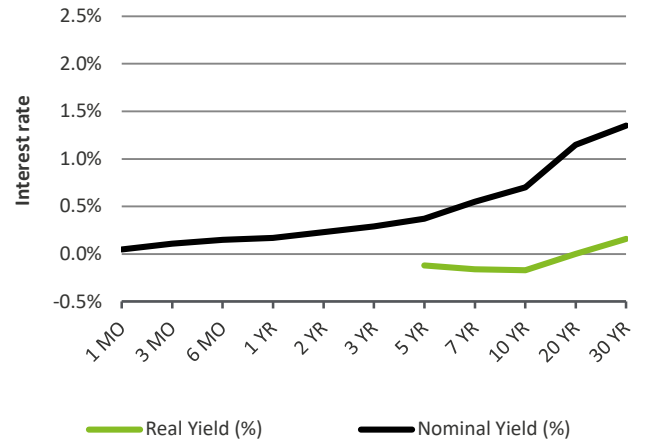
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Macroeconomic outlook

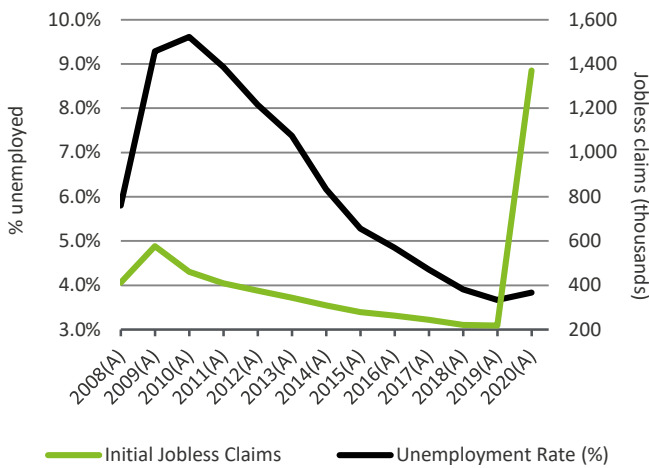
US gross domestic product (\$ in trillions)¹



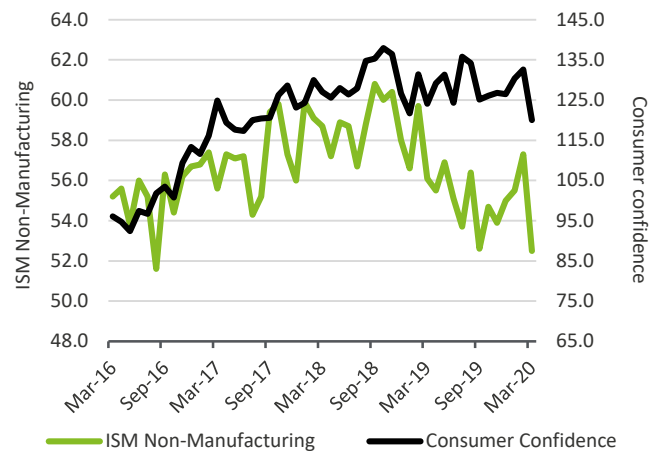
US treasury yield curve (nominal vs. real)²



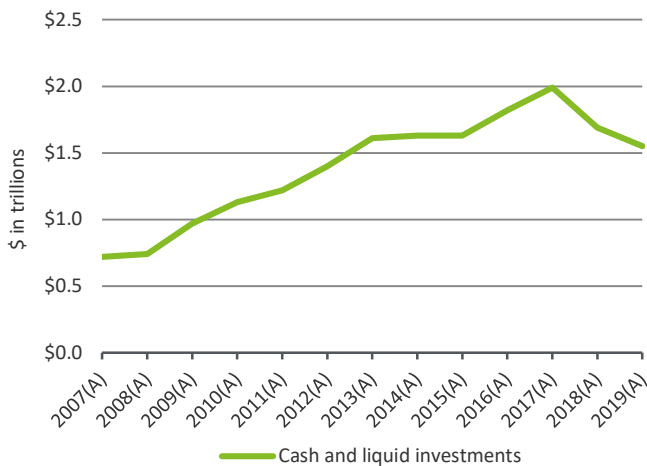
US unemployment rate (percent unemployed)³



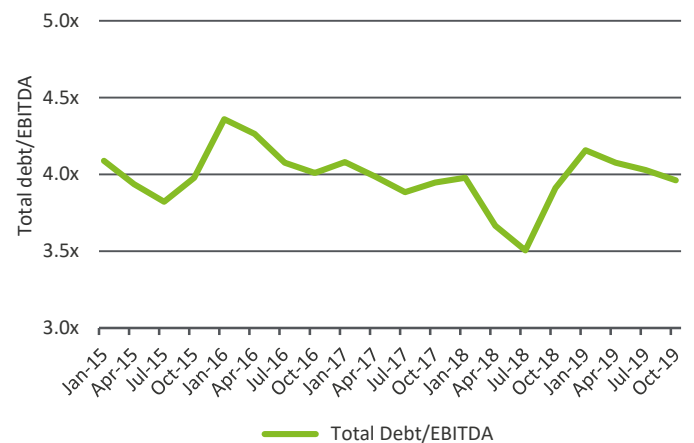
ISM non-manufacturing index and consumer confidence index⁴



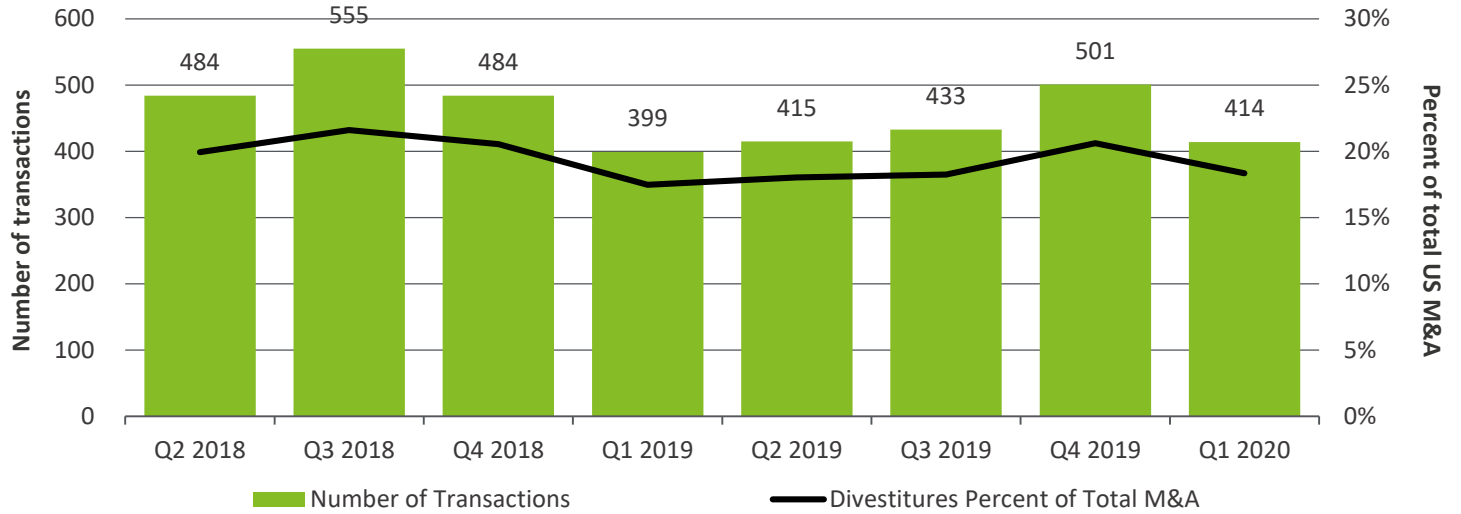
US corporate cash stockpiles of nonfinancial companies⁵



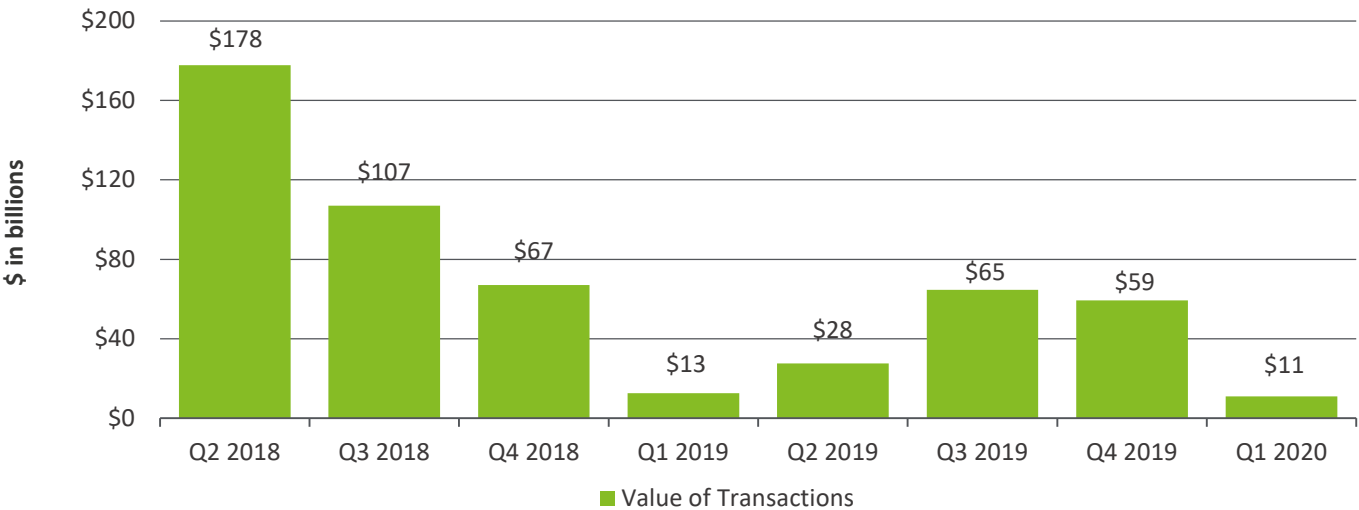
S&P 500 debt/EBITDA level⁶



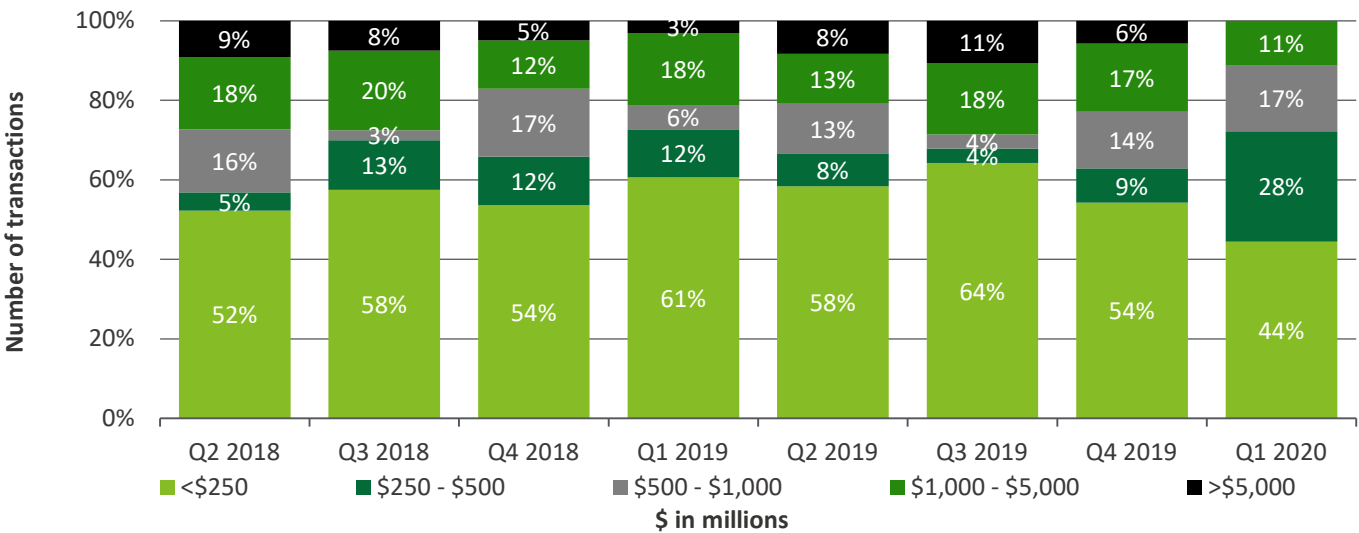
US historical divestiture transaction volumes¹



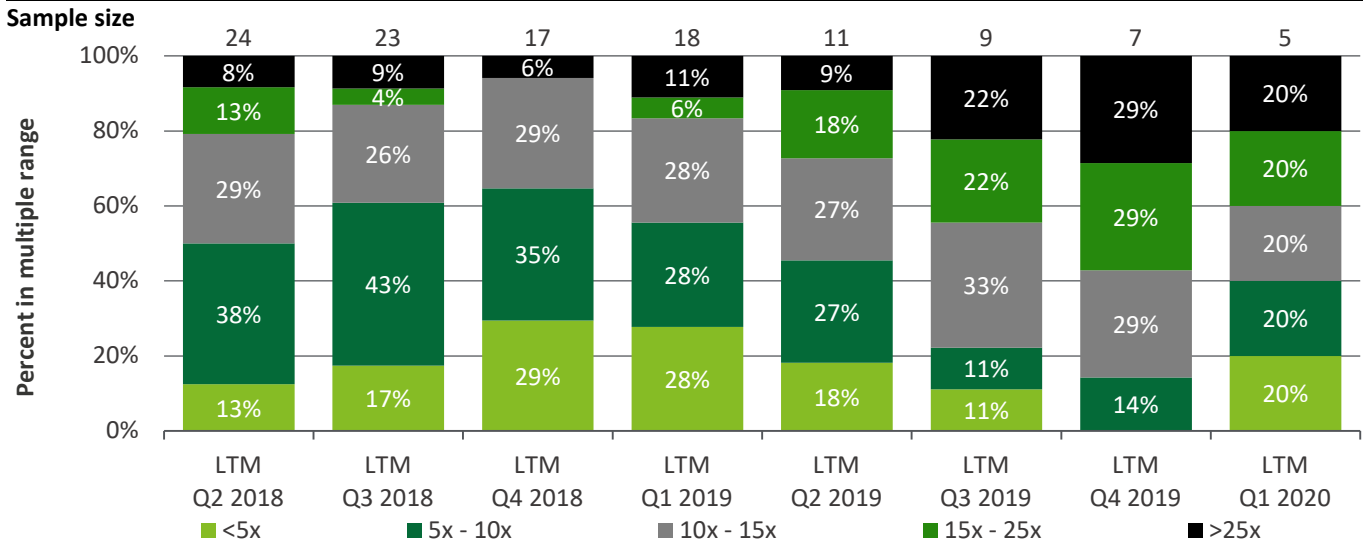
US historical disclosed divestiture transactions value²



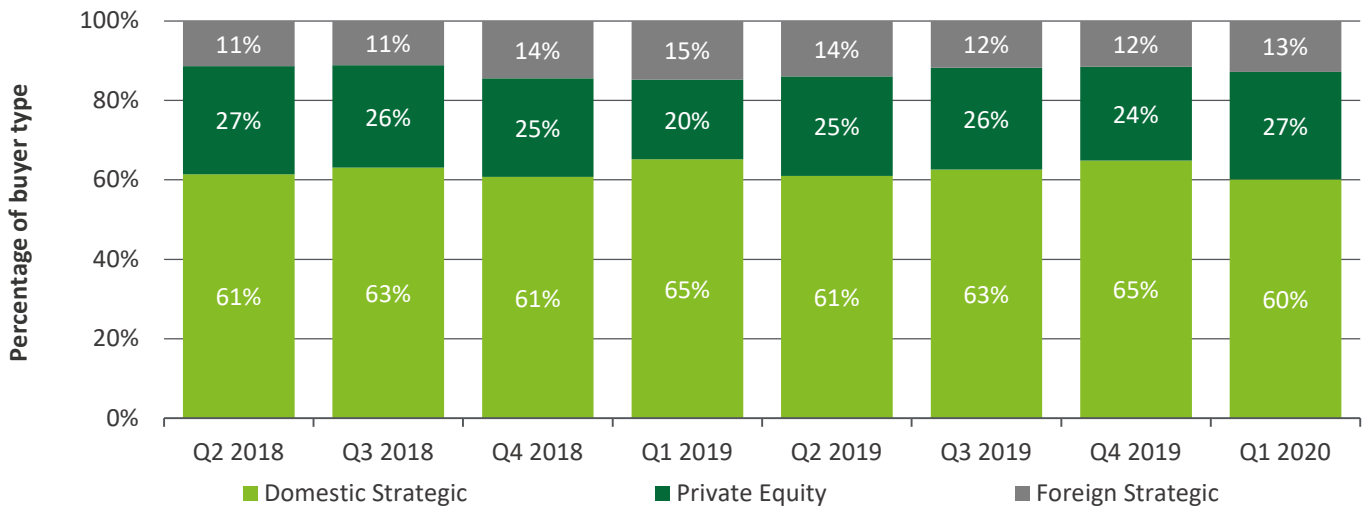
US historical disclosed divestiture transactions by size³



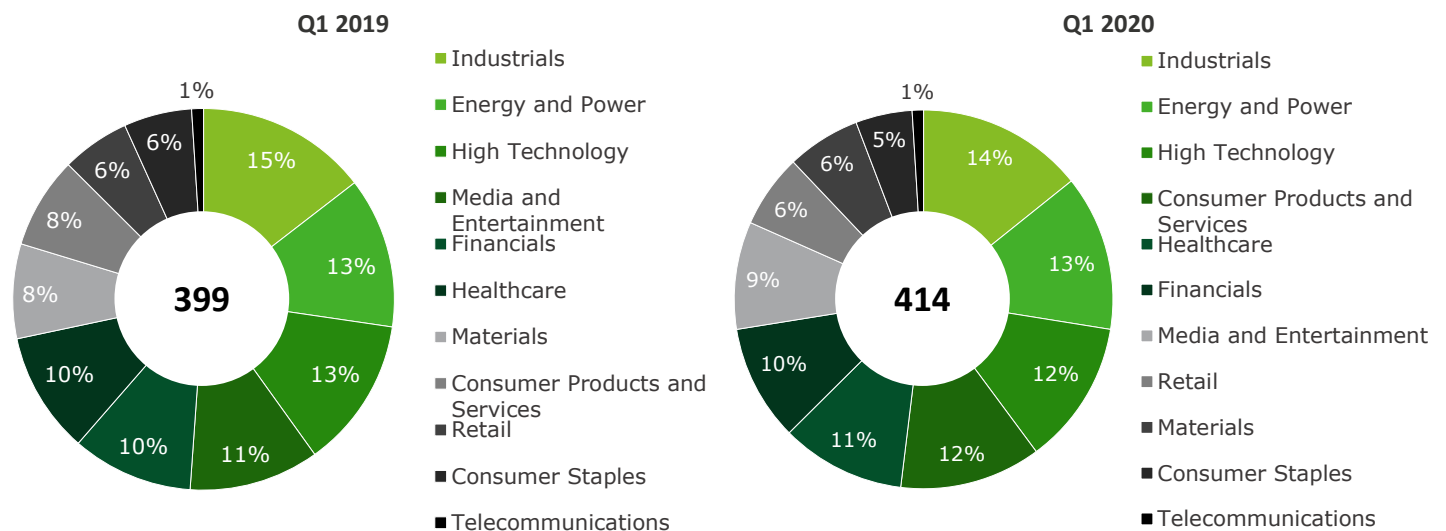
US historical disclosed divestiture transaction multiples¹



US historical divestiture transactions by buyer type²



US historical divestiture transactions by industry³



Most active acquiror countries by region¹

Top countries	Total transactions	Percent change over Q4 2019	Percent change over Q1 2019
Americas	344	(18.9%)	1.8%
United States	332	(19%)	5%
Canada	12	(8%)	(37%)
Mexico	0	0%	0%
Brazil	0	0%	(100%)
Chile	0	0%	0%
Other	0	(100%)	(100%)
Europe	30	(6.3%)	11.1%
United Kingdom	12	(20%)	20%
France	4	100%	100%
Germany	3	50%	200%
Netherlands	3	50%	200%
Switzerland	2	100%	0%
Other	6	(40%)	(45%)
Asia	8	(42.9%)	(33.3%)
Japan	2	(71%)	(71%)
South Korea	2	0%	100%
Singapore	1	0%	0%
Hong Kong	1	0%	0%
India	1	0%	0%
Other	1	(80%)	(50%)
Rest of world	2	(75.0%)	(50.0%)
Undisclosed acquiror	30		

Select large US divestitures²

(\$ in millions)

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

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.

A demonstrated approach to divestitures

Key preparation streams



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

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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Page 2:

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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.

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