US divestitures quarterly update
Q1 2021
### Divestiture trends

#### Overall trends

The resurgence in M&A activity in 2H 2020 remained strong in Q1 2021 with more than over 2,400 M&A transactions, although divestiture volume dropped from just over 650 deals in both Q3 and Q4 2020 to 566 divestitures in Q1 2021. Many companies have continued to utilize divestitures as a vehicle to rebalance operational portfolios around core competencies and focus investments into high-margin, high-growth offerings, particularly as the pandemic has caused significant disruption and necessitated widespread rethinking of company strategy. This portfolio rebalancing divestiture strategy is reflected in the shift in size distribution toward larger deal activity, with the percent of divestitures of less than $250.0 million dropping precipitously from 49.1% in Q4 2020 to 25.4% in Q1 2021 and with transaction multiples of less than 5.0x declining from 40.0% in LTM Q4 2020 to 14.3% in LTM Q1 2021. Overall, divestiture activity has followed broader M&A and macroeconomic trends and is expected to remain strong as companies continue to refine their strategic direction.

#### Global activity

Overseas buyers have shown greater appetite for US divestiture opportunities in Q1 2021, both in Europe and Asia. Transactions with US buyers declined 17.0% relative to Q4 2020 and 12.7% year-over-year from Q1 2020; transactions with Canadian buyers, as well, declined significantly by 31.8% from Q4 2020 and 16.7% from Q1 2020, although they still led all foreign countries with 15 completed deals. Divestitures with European buyers increased in Q1 2021 by 11.1% relative to Q4 2020 and 31.6% relative to Q1 2020, with noticeable increases in France, Germany, Switzerland, and Ireland. Although the UK led the European region with 10 completed deals, they exhibited a significant decline of 47.4% relative to Q4 2020 and 41.2% relative to Q1 2020. Asian buyers increased by 25.0% relative to Q4 2020 and by 26.7% relative to Q1 2020. Noticeably, there were zero divestitures to Chinese buyers, down from four in Q4 2020. Israeli buyers completed three deals and Japan, Hong Kong, Singapore, and S. Korea each completed two.

### In the news

#### January 2021 – AmerisourceBergen Corporation and Walgreens Boots Alliance, Inc. (Walgreens) announced strategic agreements under which AmerisourceBergen will acquire the majority of Walgreens’ Alliance Healthcare business for $6.5 billion. The transaction allows Walgreens to further invest in the growth of its core retail pharmacy. AmerisourceBergen expects to realize significant synergies with the acquired entity.2

#### January 2021 – LafargeHolcim Ltd. entered into an agreement to acquire Firestone Building Products Company, LLC from Bridgestone Americas for $3.4 billion. The transaction adds 15 manufacturing facilities, 1,800 distribution facilities, and three R&D laboratories to LafargeHolcim’s network and enables Bridgestone to strengthen investments in its growing core tire business and advance mobility solutions.3

#### February 2021 – Kraft Heinz announced the sale of its nuts business to Hormel for $3.4 billion. The deal includes most Planters products as well as the Corn Nuts brand, and Hormel will receive the global intellectual property rights to the two brands, subject to existing third-party licenses. The sale is part of Kraft Heinz’s multiyear turnaround effort to streamline its portfolio and allows the company to focus on more accretive brands.4

#### March 2021 – L3Harris Technologies, Inc. signed an agreement to sell its Military Training business to CAE USA, Inc. for $1.05 billion and its Combat Propulsion Systems and related businesses to RENK AG for $400 million. L3Harris plans to focus on its core technologies and execute its strategic priorities while using proceeds from these divestitures toward share repurchases.5

### 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
- Crossborder activity

### 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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**Macroeconomic outlook**

**US gross domestic product**

![Graph of US GDP (in trillions)]

- **GDP ($ in Trillions)**
- **YoY % Growth (Adj. for Inflation)**

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

![Graph of US treasury yield curve](chart)

- **Real Yield (%)**
- **Nominal Yield (%)**

**US unemployment rate (percent unemployed)**

![Graph of US unemployment rate](chart)

- **Initial Jobless Claims**
- **Unemployment Rate (%)**

**ISM non-manufacturing index and consumer confidence index**

![Graph of ISM non-manufacturing index and consumer confidence index](chart)

- **Consumer Confidence**
- **ISM Non-Manufacturing**

*An ISM Non-Manufacturing Index value above 50 signals economic expansion.*

**US corporate cash stockpiles of nonfinancial companies**

![Graph of US corporate cash stockpiles](chart)

- **Cash and Liquid Investments**

**S&P 500 debt/EBITDA level**

![Graph of S&P 500 debt/EBITDA](chart)

- **Total Debt/EBITDA**
US historical divestiture transaction volumes

Number of transactions

- Q2 2019: 587
- Q3 2019: 590
- Q4 2019: 689
- Q1 2020: 624
- Q2 2020: 474
- Q3 2020: 651
- Q4 2020: 655
- Q1 2021: 566

Percent of total US M&A

US historical disclosed divestiture transactions value

Value in billions

- Q2 2019: $25
- Q3 2019: $76
- Q4 2019: $69
- Q1 2020: $12
- Q2 2020: $2
- Q3 2020: $134
- Q4 2020: $50
- Q1 2021: $109

Percent of total US M&A

US historical disclosed divestiture transactions by size

- Q2 2019: 6% <$25, 12% $250 - $500, 13% $500 - $1,000, 47% $1,000 - $5,000, 59% $5,000 - $10,000, 20% >$10,000
- Q3 2019: 16% <$25, 15% $250 - $500, 6% $500 - $1,000, 20% $1,000 - $5,000, 64% $5,000 - $10,000, 20% >$10,000
- Q4 2019: 13% <$25, 6% $250 - $500, 13% $500 - $1,000, 16% $1,000 - $5,000, 47% $5,000 - $10,000, 63% >$10,000
- Q1 2020: 10% <$25, 7% $250 - $500, 20% $500 - $1,000, 13% $1,000 - $5,000, 88% $5,000 - $10,000, 22% >$10,000
- Q2 2020: 10% <$25, 7% $250 - $500, 20% $500 - $1,000, 13% $1,000 - $5,000, 51% $5,000 - $10,000, 14% >$10,000
- Q3 2020: 4% <$25, 26% $250 - $500, 11% $500 - $1,000, 14% $1,000 - $5,000, 49% $5,000 - $10,000, 20% >$10,000
- Q4 2020: 8% <$25, 32% $250 - $500, 14% $500 - $1,000, 11% $1,000 - $5,000, 25% $5,000 - $10,000, 13% >$10,000
- Q1 2021: 6% <$25, 12% $250 - $500, 6% $500 - $1,000, 15% $1,000 - $5,000, 49% $5,000 - $10,000, 10% >$10,000

Percent in size range

$ in millions
## Top countries

<table>
<thead>
<tr>
<th>Region</th>
<th>Q1 2021 Total transactions</th>
<th>Percent change over Q4 2020</th>
<th>Percent change over Q1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>473</td>
<td>(17.0%)</td>
<td>(12.7%)</td>
</tr>
<tr>
<td>United States</td>
<td>455</td>
<td>(16%)</td>
<td>(13%)</td>
</tr>
<tr>
<td>Canada</td>
<td>15</td>
<td>(32%)</td>
<td>(17%)</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>(25%)</td>
<td>0%</td>
</tr>
<tr>
<td>Europe</td>
<td>54</td>
<td>11.1%</td>
<td>31.6%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>10</td>
<td>(47%)</td>
<td>(41%)</td>
</tr>
<tr>
<td>France</td>
<td>7</td>
<td>75%</td>
<td>500%</td>
</tr>
<tr>
<td>Germany</td>
<td>6</td>
<td>50%</td>
<td>0%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>6</td>
<td>25%</td>
<td>14%</td>
</tr>
<tr>
<td>Ireland</td>
<td>5</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Other</td>
<td>20</td>
<td>25%</td>
<td>200%</td>
</tr>
<tr>
<td>Asia</td>
<td>15</td>
<td>25.0%</td>
<td>26.7%</td>
</tr>
<tr>
<td>Israel</td>
<td>3</td>
<td>200%</td>
<td>0%</td>
</tr>
<tr>
<td>Japan</td>
<td>2</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>2</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Singapore</td>
<td>2</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>South Korea</td>
<td>2</td>
<td>(33%)</td>
<td>(33%)</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>(33%)</td>
<td>(33%)</td>
</tr>
<tr>
<td>Rest of world</td>
<td>5</td>
<td>25.0%</td>
<td>150.0%</td>
</tr>
<tr>
<td>Undisclosed acquiror</td>
<td>23</td>
<td>0%</td>
<td>0%</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-21</td>
<td>Majority of Alliance Healthcare Businesses of Walgreens Boots Alliance, Inc.</td>
<td>AmerisourceBergen Corporation</td>
<td>Majority of Alliance Healthcare Businesses of Walgreens Boots Alliance, Inc. is a pharmaceutical wholesale distributor.</td>
<td>$6,470.5</td>
</tr>
<tr>
<td>Jan-21</td>
<td>Firestone Building Products Company, LLC.</td>
<td>LafargeHolcim Ltd.</td>
<td>Firestone Building Products Company, LLC manufactures roofing systems and products for commercial, industrial and residential roofing applications.</td>
<td>$3,400.0</td>
</tr>
<tr>
<td>Feb-21</td>
<td>Nuts Business of The Kraft Heinz Company</td>
<td>Hormel Foods Corporation</td>
<td>The Nuts Business of The Kraft Heinz Company includes the Planters, NUT-ration, Planters Cheez Balls, and Corn Nuts brands.</td>
<td>$3,350.0</td>
</tr>
<tr>
<td>Feb-21</td>
<td>Nestlé Waters North America Inc.</td>
<td>Metropoulos &amp; Company; One Rock Capital Partners, LLC</td>
<td>Nestlé Waters North America Inc. produces and sells bottled water in the U.S. and Canada. It offers spring, purified, sparkling, and mineral water bottles, as well as iced tea.</td>
<td>$4,300.0</td>
</tr>
<tr>
<td>Mar-21</td>
<td>L3 Military Training Businesses &amp; Combat Propulsion Systems</td>
<td>CAE USA, INC.; RENK AG</td>
<td>The Military Training Businesses of L3Harris Technologies, Inc. provide simulation systems, training services and aircraft contractor logistics support. The Combat Propulsion Systems and related businesses of L3 Harris Technologies, Inc. provide mission-critical solutions for government and commercial customers.</td>
<td>$1,450.0</td>
</tr>
</tbody>
</table>
Will Frame – Managing Director

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

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

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Tony Blanchard – Managing Director

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 over 100 M&A transactions, representing approximately $14 billion in transaction value, 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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Select DCF divestiture transactions

- **MeadWestvaco Corporation** has sold its Global Media and Entertainment Packaging Business to **Cenveo, Inc.**
  - The undersigned acted as an exclusive financial advisor to MeadWestvaco Corporation

- **Stora Enso** has sold Envelope Products Group to **Cenveo, Inc.**
  - The undersigned acted as an exclusive financial advisor to Stora Enso

- **Siemens VDO Automotive** has sold its North American Powertrain Controls Operations to **Brentwood Industries**
  - The undersigned acted as an exclusive financial advisor to Siemens VDO Automotive

- **Siemens VDO Automotive** has sold its Powertrain Controls Operations to **Brentwood Industries**
  - The undersigned acted as an exclusive financial advisor to Siemens VDO Automotive

- **BMW** has sold its BMW Group Life science and healthcare division to **BlackRock Financial Advisory Services LLC**
  - The undersigned acted as an exclusive financial advisor to BMW Group

- **Covestro** has sold its North American Performance Materials business to **H.I.G. Capital**
  - The undersigned acted as an exclusive financial advisor to Covestro

- **Sensata Technologies** has sold its Sensata Technologies Canada Ltd business to **H.I.G. Capital**
  - The undersigned acted as an exclusive financial advisor to Sensata Technologies

- **Raytheon** has sold its Flight Controls business to **Brentwood Industries**
  - The undersigned acted as an exclusive financial advisor to Raytheon

- **Aegon** has sold its Aegon Americas Retirement & Protection business to **Brentwood Industries**
  - The undersigned acted as an exclusive financial advisor to Aegon

- **Evonik** has sold its North American Coatings business to **Oaktree Capital Management**
  - The undersigned acted as an exclusive financial advisor to Evonik

- **USG** has sold its USG Structural Panels business to **Brentwood Industries**
  - The undersigned acted as an exclusive financial advisor to USG

- **U.S. Green Building Council** has sold its Greenbuild Conference and Expo business to **U.S. Green Building Council**
  - The undersigned acted as an exclusive financial advisor to U.S. Green Building Council

- **The Hertz Corporation** has sold its Hertz Car Rental business to **Covestro**
  - The undersigned acted as an exclusive financial advisor to The Hertz Corporation

- **Huntsville Electronics** has sold its Huntsville Electronics business to **Covestro**
  - The undersigned acted as an exclusive financial advisor to Huntsville Electronics

- **H.I.G. Capital** has sold its H.I.G. Capital and Oaktree businesses to **Covestro**
  - The undersigned acted as an exclusive financial advisor to H.I.G. Capital
Sources cited

**Page 2:**

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**Page 4:**
2. Thomson ONE. https://www.thomsonone.com, accessed April 24, 2021. Data as of March 31, 2021. Undisclosed refers to transactions with enterprise values that were not made known or public.

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Additional Note: All transaction data excludes government, government agency, and real estate company activity.
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