



## US divestitures quarterly update

Q1 2021

## Divestiture trends

### Overall trends<sup>(1)</sup>

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<sup>(1)</sup>

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 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

## 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.<sup>2</sup>

**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.<sup>3</sup>

**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.<sup>4</sup>

**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.<sup>5</sup>

## 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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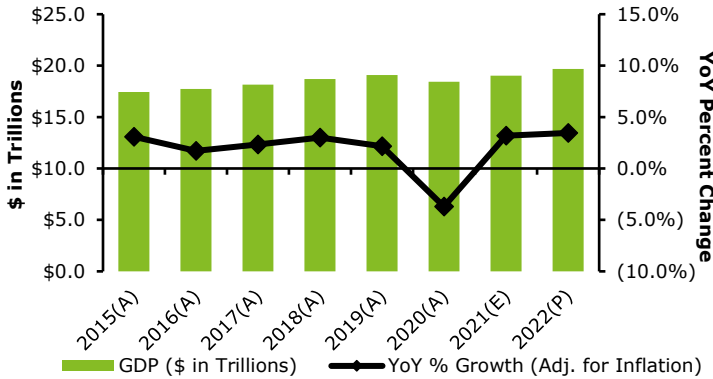
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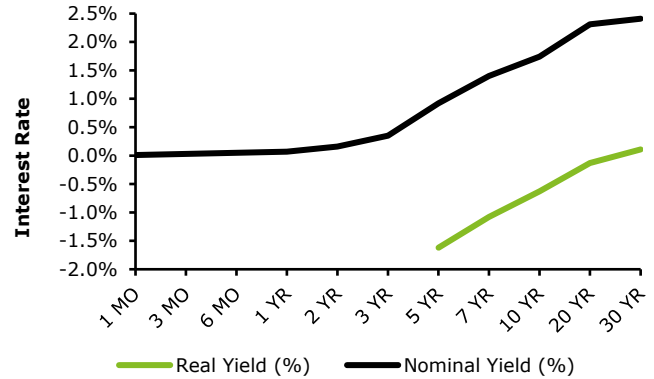
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# Macroeconomic outlook

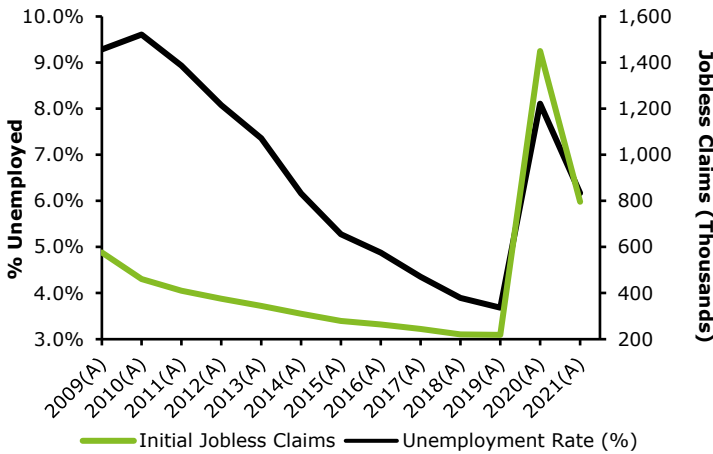
**US gross domestic product (\$ in trillions)<sup>1</sup>**



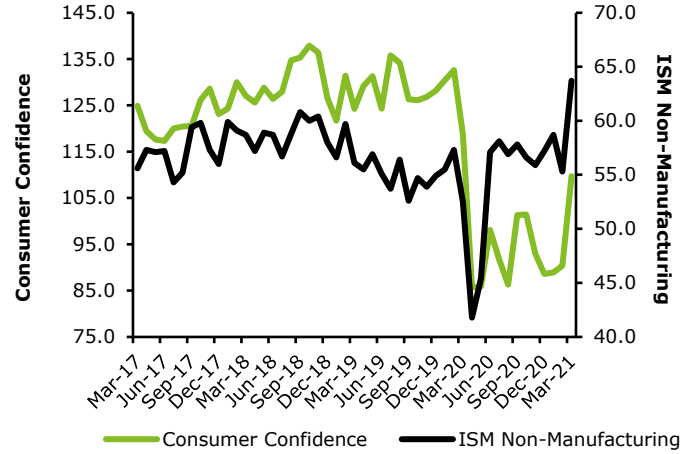
**US treasury yield curve (nominal vs. real)<sup>2</sup>**



**US unemployment rate (percent unemployed)<sup>3</sup>**

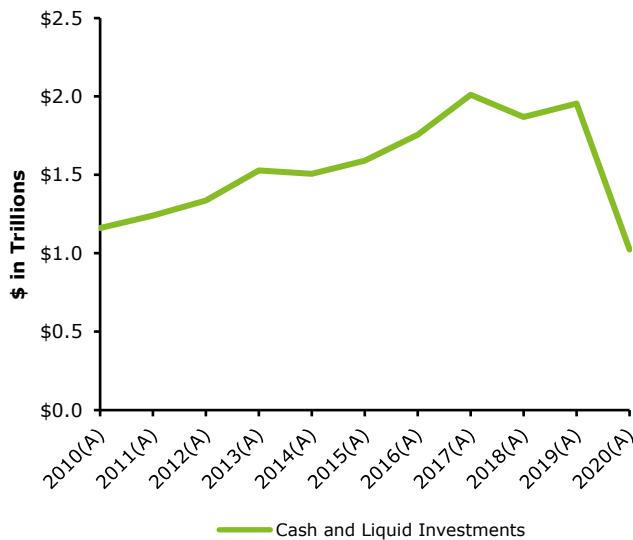


**ISM non-manufacturing index and consumer confidence index<sup>4</sup>**

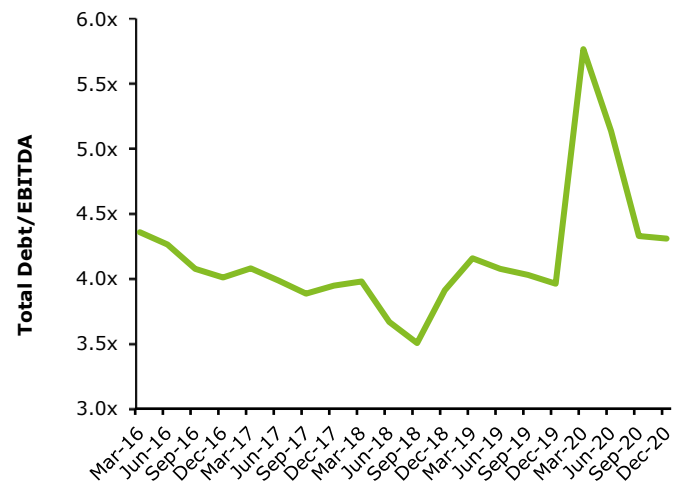


\*An ISM Non-Manufacturing Index value above 50 signals economic expansion.

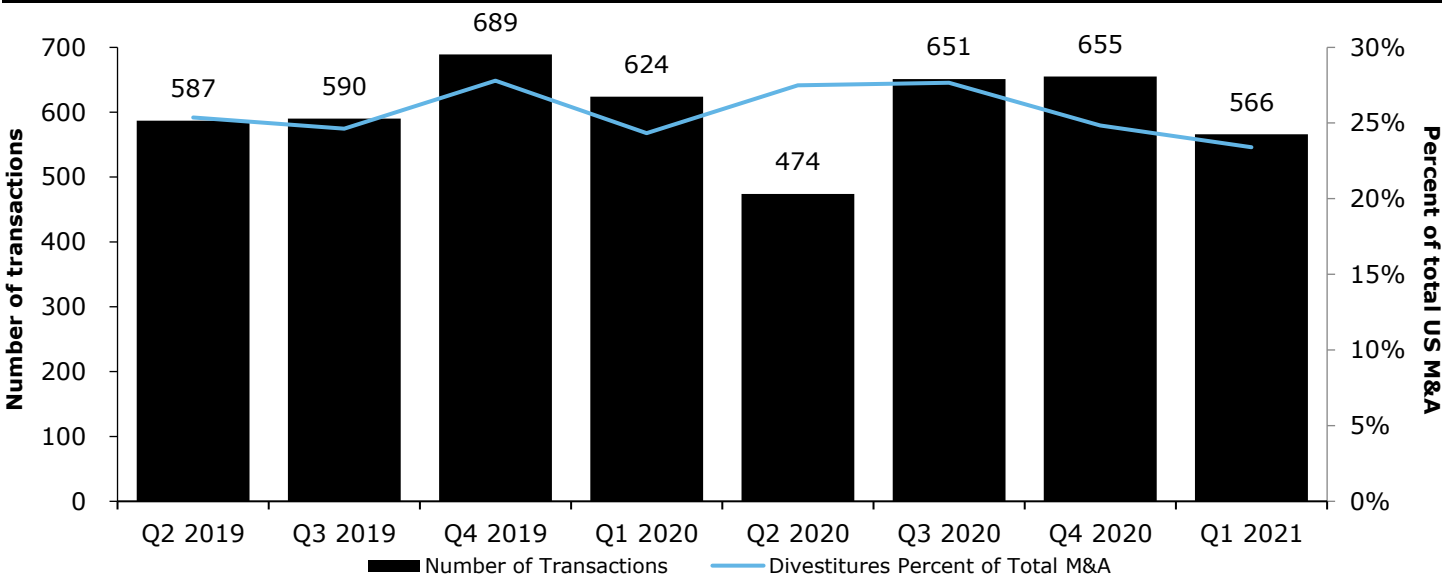
**US corporate cash stockpiles of nonfinancial companies<sup>5</sup>**



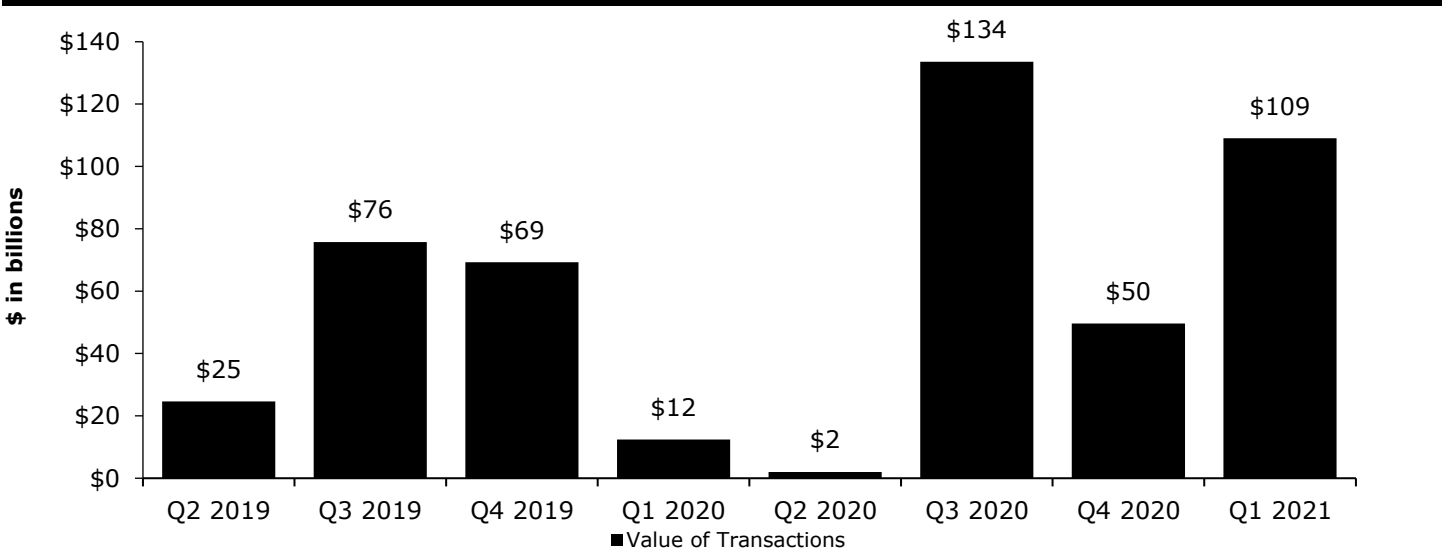
**S&P 500 debt/EBITDA level<sup>6</sup>**



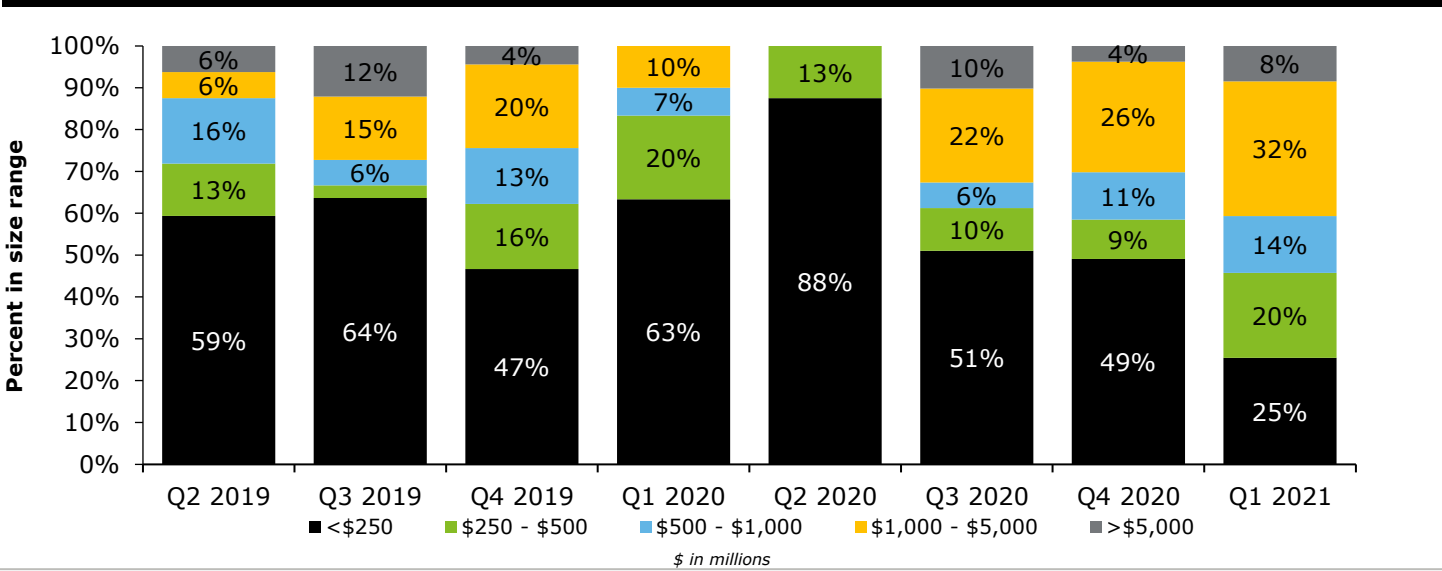
### US historical divestiture transaction volumes<sup>1</sup>



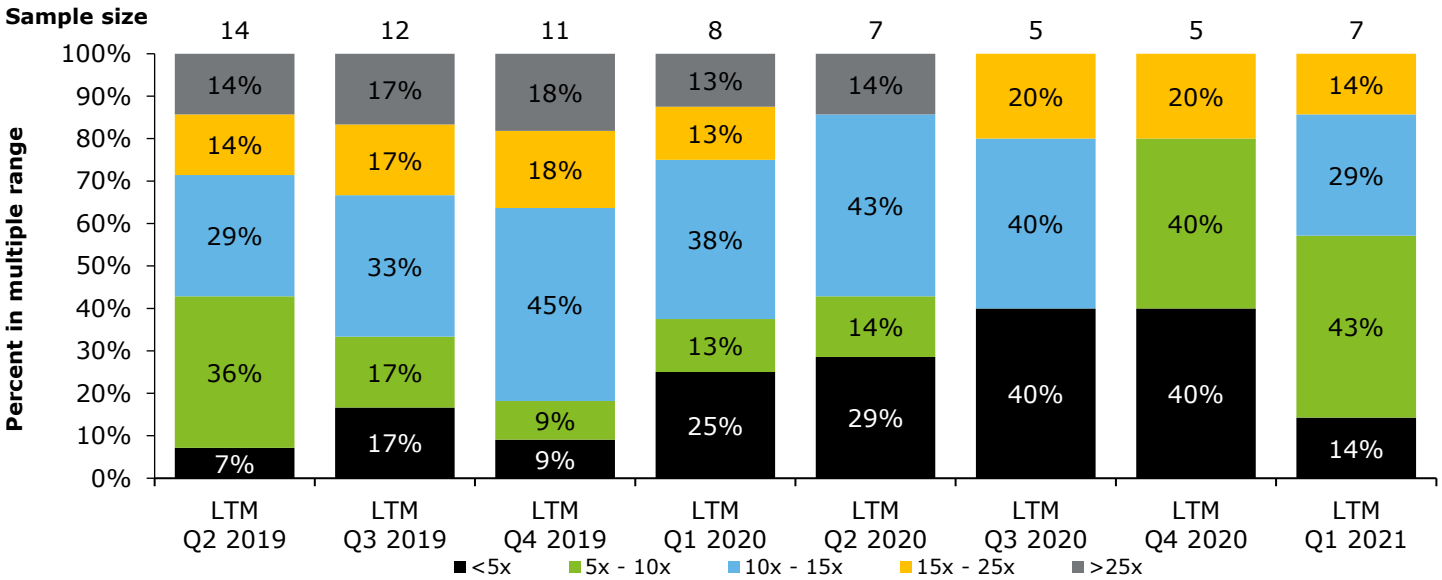
### US historical disclosed divestiture transactions value<sup>2</sup>



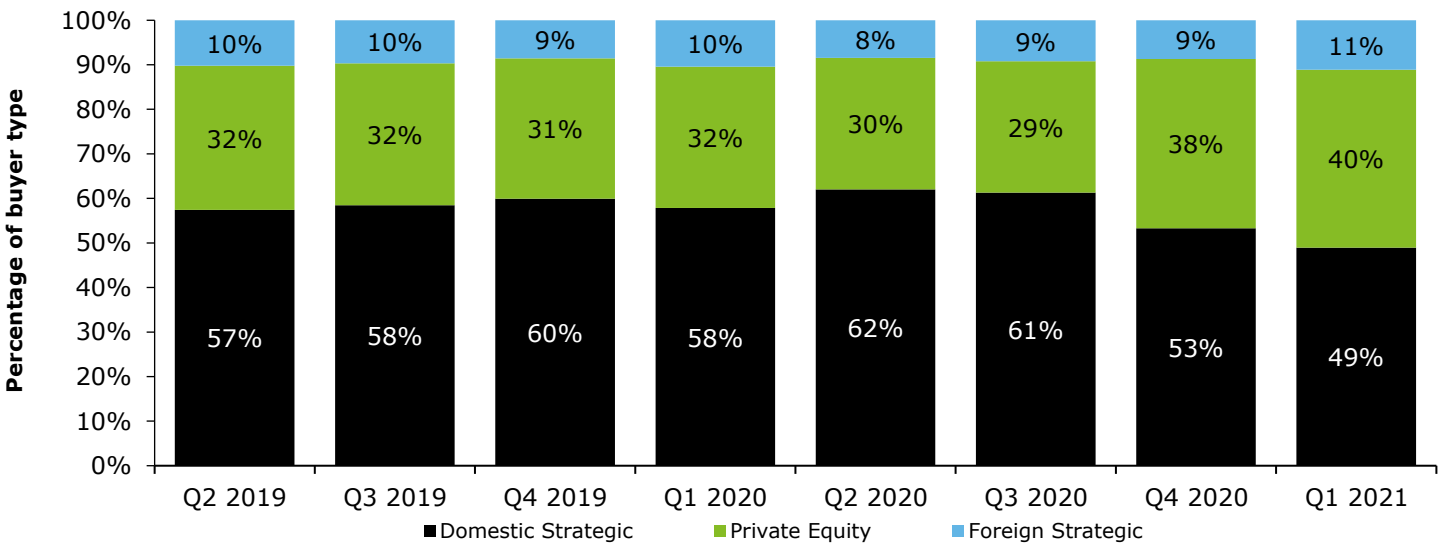
### US historical disclosed divestiture transactions by size<sup>3</sup>



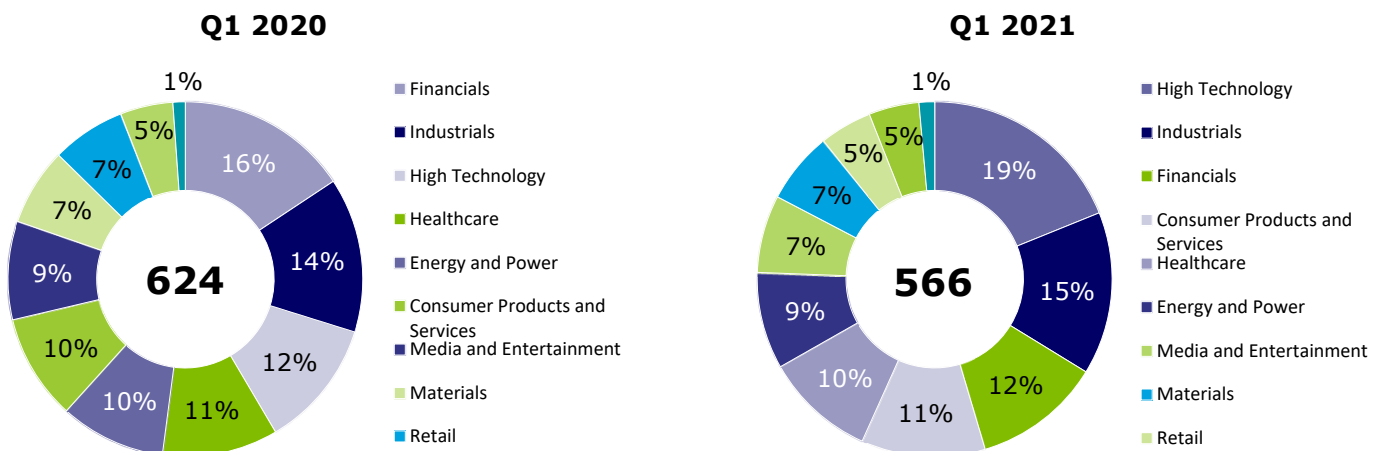
### US historical disclosed divestiture transaction multiples<sup>1</sup>



### US historical divestiture transactions by buyer type<sup>2</sup>



### US historical divestiture transactions by industry<sup>3</sup>



### Most active acquiror countries by region<sup>1</sup>

Top countries	Q1 2021 Total transactions	Percent change over Q4 2020	Percent change over Q1 2020
<b>Americas</b>	<b>473</b>	<b>(17.0%)</b>	<b>(12.7%)</b>
United States	455	(16%)	(13%)
Canada	15	(32%)	(17%)
Other	3	(25%)	0%
<b>Europe</b>	<b>54</b>	<b>11.1%</b>	<b>31.6%</b>
United Kingdom	10	(47%)	(41%)
France	7	75%	75%
Germany	6	50%	500%
Switzerland	6	500%	200%
Ireland	5	25%	25%
Other	20	14%	14%
<b>Asia</b>	<b>15</b>	<b>25.0%</b>	<b>26.7%</b>
Israel	3	200%	50%
Japan	2	0%	0%
Hong Kong	2	0%	100%
Singapore	2	0%	0%
South Korea	2	(33%)	0%
Other	4	(33%)	0%
<b>Rest of world</b>	<b>5</b>	<b>25.0%</b>	<b>150.0%</b>
Undisclosed acquiror	23		

### Select large US divestitures<sup>2</sup>

(\$ in millions)

Announced date	Target/Ultimate parent	Acquiror	Business description	Enterprise value (EV)
Jan-21	<b>Majority of Alliance Healthcare Businesses of Walgreens Boots Alliance, Inc.</b> Walgreens Boots Alliance, Inc.	AmerisourceBergen Corporation	Majority of Alliance Healthcare Businesses of Walgreens Boots Alliance, Inc. is a pharmaceutical wholesale distributor.	\$6,470.5
Jan-21	<b>Firestone Building Products Company, LLC.</b> Bridgestone Americas, Inc.	LafargeHolcim Ltd.	Firestone Building Products Company, LLC manufactures roofing systems and products for commercial, industrial and residential roofing applications.	\$3,400.0
Feb-21	<b>Nuts Business of The Kraft Heinz Company</b> The Kraft Heinz Company	Hormel Foods Corporation	The Nuts Business of The Kraft Heinz Company includes the Planters, NUT-ration, Planters Cheez Balls, and Corn Nuts brands.	\$3,350.0
Feb-21	<b>Nestlé Waters North America Inc.</b> Nestlé S.A.	Metropoulos & Company; One Rock Capital Partners, LLC	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.	\$4,300.0
Mar-21	<b>L3 Military Training Businesses &amp; Combat Propulsion Systems</b> L3Harris Technologies, Inc.	CAE USA, INC.; RENK AG	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.	\$1,450.0

**Deloitte Corporate Finance dedicated divestitures team**



**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**

**MWV**  
 MEADWESTVACO  
**MeadWestvaco Corporation**  
 has sold its  
 Envelope Products Group to  
  
**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 LLC**  
 The undersigned acted as  
 exclusive financial advisor to  
 MeadWestvaco Corporation

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**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 Industries**  
 The undersigned acted as  
 financial advisor to  
 Reynolds Packaging Group

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**Flat Rock Metal Processing LLC**  
 has sold certain assets and business to  
  
**Reliance Steel & Aluminum Co.**  
 The undersigned initiated this transaction  
 and acted as exclusive financial advisor to  
 Flat Rock Metal Processing LLC

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

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**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

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**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.

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

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**Hertz**  
**The Hertz Corporation**  
 has divested its  
 Brazil operations to  
  
**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 Products, Inc.**  
 to  
  
**RPM  
 RPM International Inc.**  
 The undersigned acted as  
 exclusive financial advisor to  
 CSW Industrials, Inc.

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Disposal of  
  
**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  
  
**Hanley Wood LLC**  
 The undersigned acted as  
 exclusive financial advisor to  
 U.S. Green Building Council

**Deloitte.**

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3. Thomson ONE. <https://www.thomsonone.com>, accessed April 24, 2021. Data as of March 31, 2021.

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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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