

Divestitures Quarterly Update

Q3 2023

DCF's divestiture practice

Deloitte Corporate Finance LLC (DCF) is a leading global middle-market M&A adviser. Our professionals have extensive knowledge in the divestiture space and use their experience to help clients enhance value.



Divestitures leadership



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Organization overview

#1

2022 Global M&A Advisor by volume of deals completed⁽¹⁾. Deloitte closed 704 deals in 2022 with a cumulative deal value of \$53.4B.

704

Completed deals in 2022⁽¹⁾.

- Deep relationships in place to gain **critical strategic intelligence** and effectively market businesses.
- Worldwide, DCF has **2,400 Corporate Finance professionals** throughout the Deloitte Touche Tohmatsu Limited network of member firms in 60 countries that complement the North American team.
- **Top global middle-market financial advisor** in 2022 according to Mergermarket⁽¹⁾.

Source: (1) Please refer slide 12.

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Divestiture trends

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 divestitures activity



Transaction trends⁽¹⁾



Transaction Volume

Divestiture transaction volume in Q3 2023 remains at the near-term highs we witnessed in Q2 2023. Number of deals reached 460 in Q3 2023 compared to 264 deals in Q3 2022, an increase of 74.2%, while making up a larger % of total M&A activity at 22.0% compared to 9.5% in Q3 2022.



Transaction Size

In Q3 2023, transactions with deal values above \$1 billion accounted for 42.0% of the total disclosed deal volumes compared to 29.0% of the deals in Q2 2023. Deals with values less than \$250 million accounted for 45.5% of deal volume compared to 52.1% in Q2 2023.



Acquiror Type

Domestic strategic buyers accounted for 53.5% of buyers in divestiture transactions in Q3 2023, a decrease from 72.7% in Q3 2022. Interest from private equity buyers has filled this gap, accounting for 29.6% of the buyers in Q3 2023, compared to 3.0% in Q3 2022, a new near-term record.



Industry Focus

Industrials beat out the technology industry to emerge as the area of focus for divestitures in Q3 2023, making up 17.4% of all divestiture transactions. High technology followed closely at 16.0% and Healthcare at 11.3% of all transactions.

After showing notable growth in Q2 2023, divestitures activity remains close to near-term record levels in Q3 2023 but remained significantly above Q1 2023 levels. Divestitures accounted for 22.0% of all M&A transactions in Q3 2023.

Regional trends⁽¹⁾

Americas

Divestiture activity in the Americas declined by 12.0% in Q3 2023 compared to Q2 2023. The Americas completed 385 transaction in Q3 2023 compared to 436 transactions in Q2 2023.

United States

US-based buyers remain the most active acquirors in the Americas. The number of transactions involving US buyers dropped to 365 in Q3 2023 compared to 411 in Q2 2023.

Canada

Canada's deal volume witnessed a decline of 19.0% QoQ in Q3 2023, closing 17 transactions in Q3 2023 compared to 21 in Q2 2023.

Europe

Divestitures deal activity among European acquirors witnessed marginal decline in Q3 2023, dropping by 18.4% QoQ. They participated in 31 deals in Q3 2023 down from 38 in Q2 2023.

United Kingdom

Deals involving U.K.-based acquirors declined significantly in Q3 2023. The number of transactions dropped to 4 in Q3 2023 compared to 16 in Q2 2023.

France

9 deals were closed by French buyers in Q3 2023 up from 5 in Q2 2023.

Switzerland

4 deals were closed by Swiss buyers in Q3 2023 compared to 3 deals closed in Q2.

Asia

Divestiture activity in Asia declined by 31.3% QoQ in Q2 2023 compared to Q2 2023. Asian acquirors closed 11 deals in Q3 compared to 16 in Q2.

Japan

Japanese buyers completed 2 deals in Q3 2023 compared to 5 in Q2 2023.

South Korea

Only 1 deal was closed by investors in Q3 2023 down from 3 in Q2.

Other Asian Countries

Divestitures deal activity declined marginally in other Asian countries such as Hong Kong, Singapore, and India.

Divestiture activity declined across the globe, with the Americas contributing to the bulk of transactions. After showing significant growth in the second quarter, divestitures activity remained strong during Q3 2023.

Source: (1) Please refer slide 12.

Case study

Komatsu Ltd. Conveying Businesses

Deal contacts	
Will Frame, Tony Blanchard	
<div><p>Komatsu Ltd.</p><p><i>has divested its US and Australian based conveying businesses to</i></p><p>Stellex Capital Management LLC</p><p><i>The undersigned acted as exclusive financial advisor to Komatsu Ltd.</i></p><p>Deloitte Corporate Finance LLC</p></div>	Client overview
	<ul style="list-style-type: none">▪ Komatsu Ltd. (Komatsu) is a leading designer and manufacturer of material handling conveyor systems and components used in a variety of end markets.<ul style="list-style-type: none">— Specializes in creating conveyor systems for underground mining, surface mining, tunneling, and aggregates ports & processing projects.— Operates as an end-to-end solutions provider across the globe, penetrating European, American, and Southeast Asian markets.
	Situation overview
	<ul style="list-style-type: none">▪ Komatsu engaged DCF to help evaluate market alternatives and the prospect of a divestiture of their global conveyor manufacturing businesses (collectively, the Business).
	DCF's role
	<ul style="list-style-type: none">▪ DCF added significant value by:<ul style="list-style-type: none">— Developing a broad and cohesive set of marketing materials which consolidated multiple, disparate global businesses while clearly highlighting the Business' primary investment merits and growth opportunities.— Running a highly competitive marketing process, yielding numerous indications of interest and letters of intent from international and domestic strategics, as well as financial acquirors.— Assisted with managing an extensive diligence process, as well as advising Komatsu on negotiating a complex transaction structure.

Deloitte thought leadership

Deloitte thought leadership

- Deloitte leverages deep transaction experience to deliver customized services and high-quality results to clients operating across multiple industry groups.
- Our surgical carve-out approach to divestitures assists management to achieve a clean, yet efficient, separation designed to find the sweet spot between value, certainty of close, and speed of process.
- A demonstrated track record of helping organizations transform throughout economic cycles, all the while turning challenges into opportunities.

Extensive knowledge network

- DCF can leverage its expansive cross-business knowledge network, extensive consulting reports, and in-depth industry research to help drive results and provide differentiated insights for our clients.



Be Empowered



Pay It Forward



Be Resourceful








Build Knowledge

Recent insights



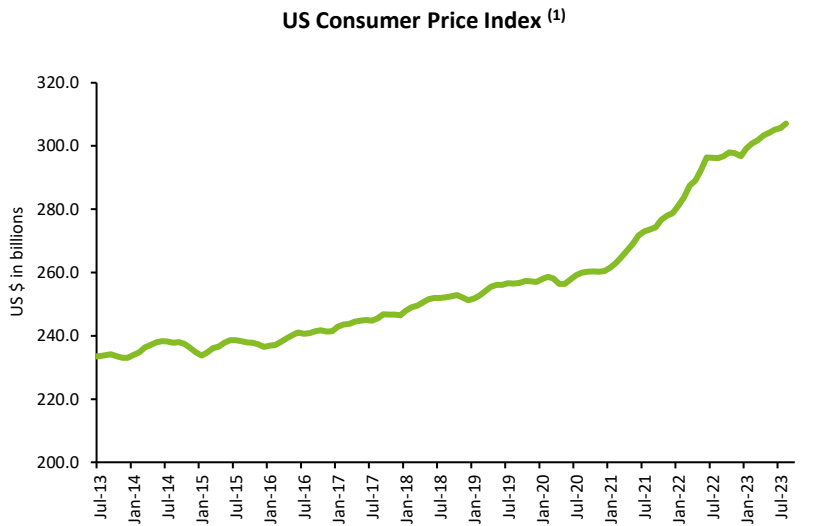
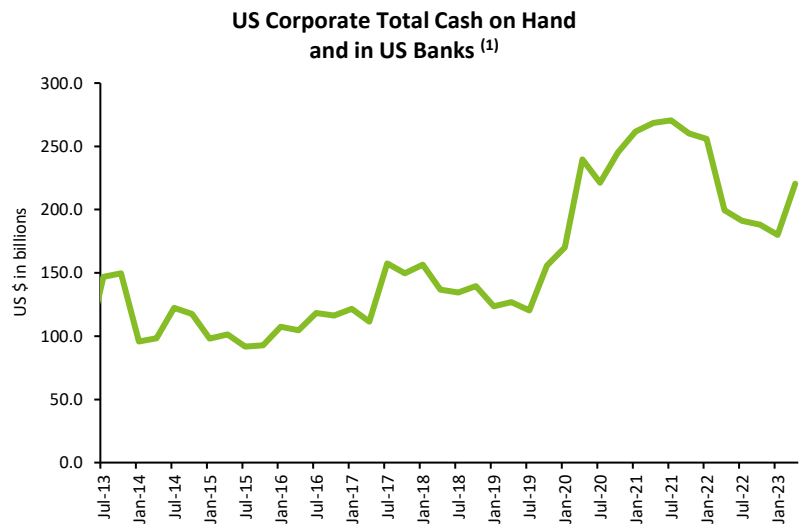
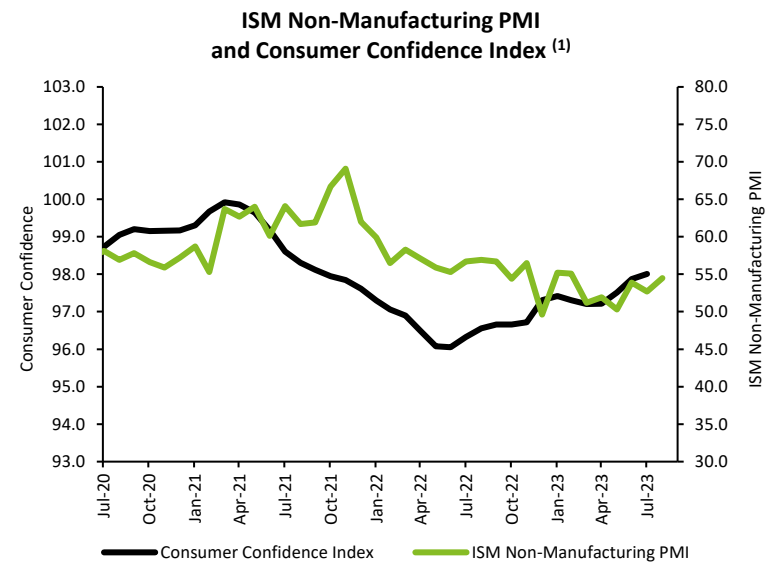
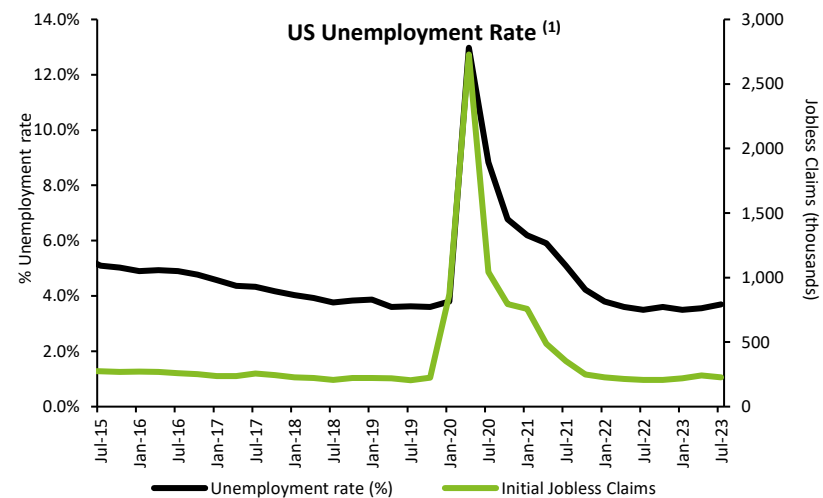
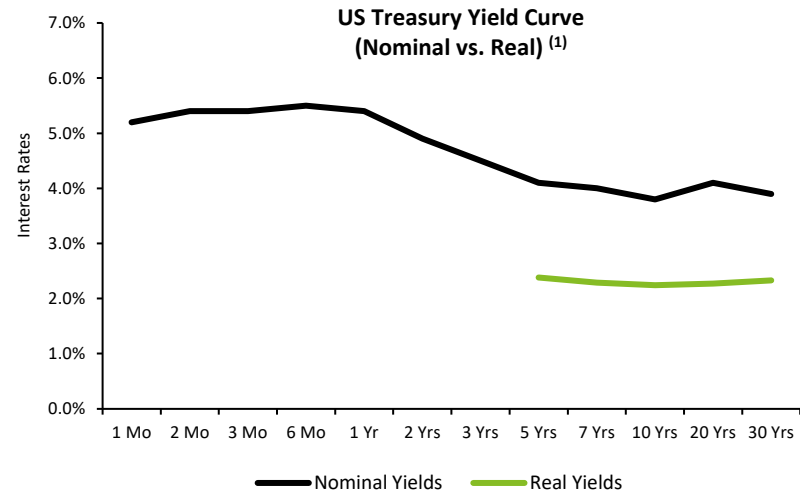
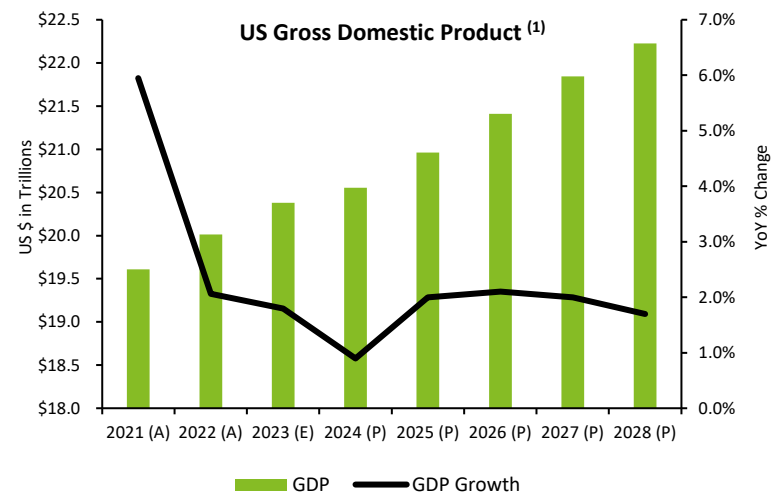
Recent middle-market divestiture ⁽¹⁾

Healthcare 	Bausch & Lomb expands eye-care portfolio with acquiring Johnson & Johnson's Blink <ul style="list-style-type: none">Blink belonged to Johnson & Johnson Vision under the company's medtech division in which contact lenses currently make up the majority of J&J Vision's business. The addition of Blink expands Bausch + Lomb's existing dry eye symptom relief portfolio, which also includes dry eye drops Biotrue, Soothe XP Emollient, and Advanced Eye Relief.	Announced Date: July 2023 Total Transaction Value: \$107 million
Industrials 	UNACEM to acquire Martin Marietta's West Coast Cement Operations <ul style="list-style-type: none">UNACEM, Peru's largest cement company, is set to acquire the Tehachapi, CA plant from Martin Marietta that is expected to double their current clinker and cement production capacity in the US. The company's current US operations are situated in Paulden, Arizona, and are operated by Drake Cement Co, which as 1.5Mta of clinker capacity and 1.55Mta of cement capacity.	Announced date: August 2023 Total Transaction Value: \$317 million
Technology 	HealthEquity, Inc. entered into a definitive agreement to acquire BenefitWallet's Health Savings Account (HAS) <ul style="list-style-type: none">HealthEquity, Inc., that provides technology-enabled services platforms to consumers and employers in the United States, entered into a definitive agreement to acquire BenefitWallet's Health Savings Account (HSA) portfolio from Conduent Business Services, LLC for \$425 million on September 18, 2023. Conduent Business Services, LLC provides digital platforms.	Announced Date: September 2023 Total Transaction Value: \$425 million
Financials 	Arthur J. Gallagher & Co. Signs Agreement to Acquire Eastern Insurance Group, LLC <ul style="list-style-type: none">Arthur J. Gallagher & Co. announced it has signed a definitive agreement to acquire Natick, Massachusetts-based Eastern Insurance Group, LLC (Eastern Insurance), a subsidiary of Eastern Bank. Eastern Insurance offers extensive commercial property/casualty and personal lines products as well as employee benefits consulting to clients throughout the Northeast US.	Announced Date: September 2023 Total Transaction Value: \$510 million
Industrials 	INEOS to acquire Eastman Texas City site from Eastman Chemical Company <ul style="list-style-type: none">Eastman Chemical Co., a global specialty materials producer, announced its agreement to sell the Eastman Texas City site, including the 600kt Acetic Acid plant and all associated third party activities on the site to INEOS Acetyls. The strategic acquisition will help INEOS Acetyls drive their global ambition to take advantage of competitively priced feedstocks.	Announced Date: September 2023 Total Transaction Value: \$490 million

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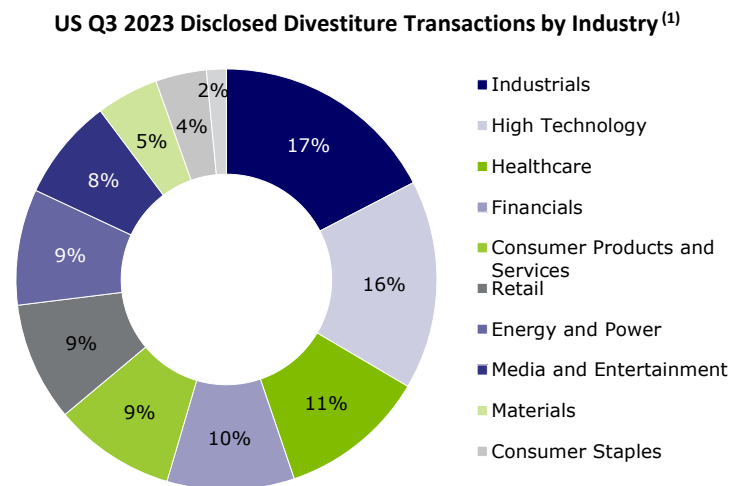
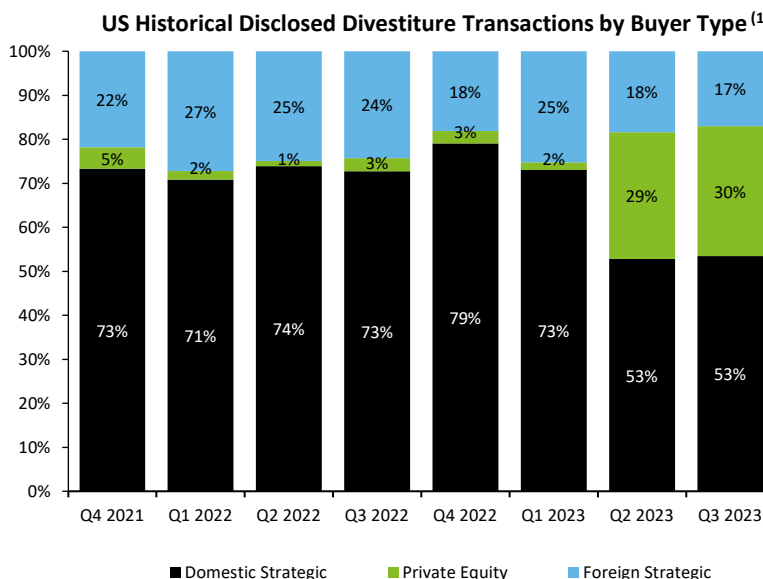
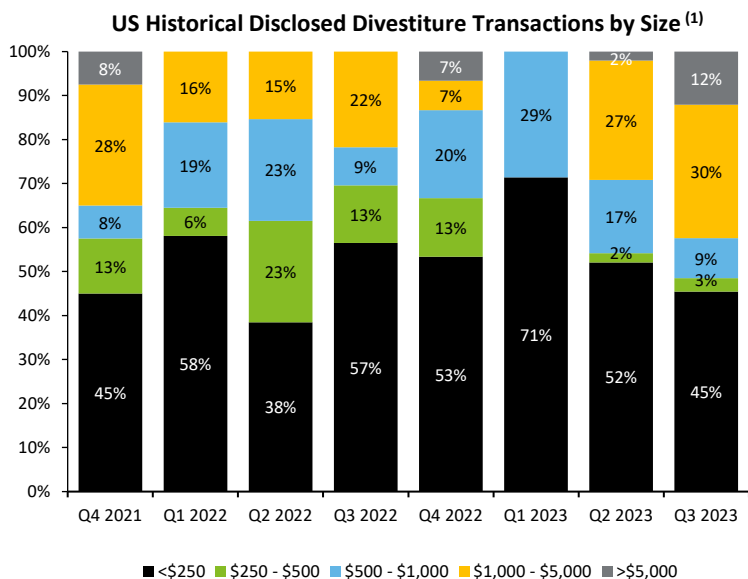
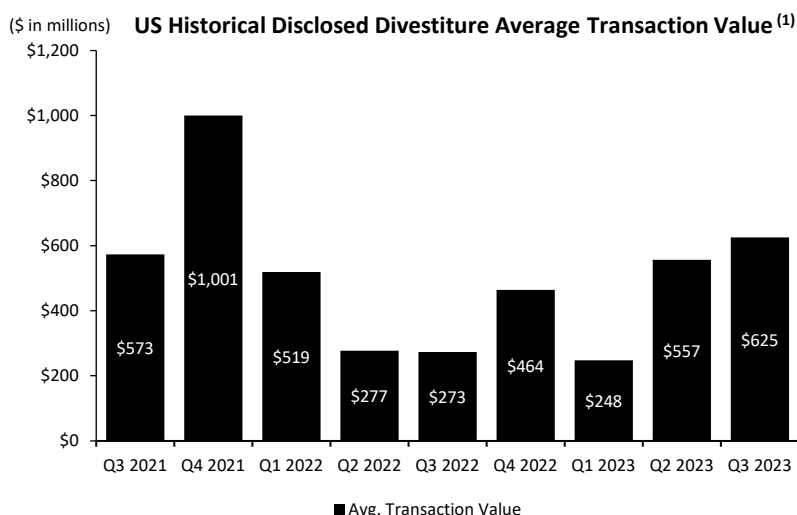
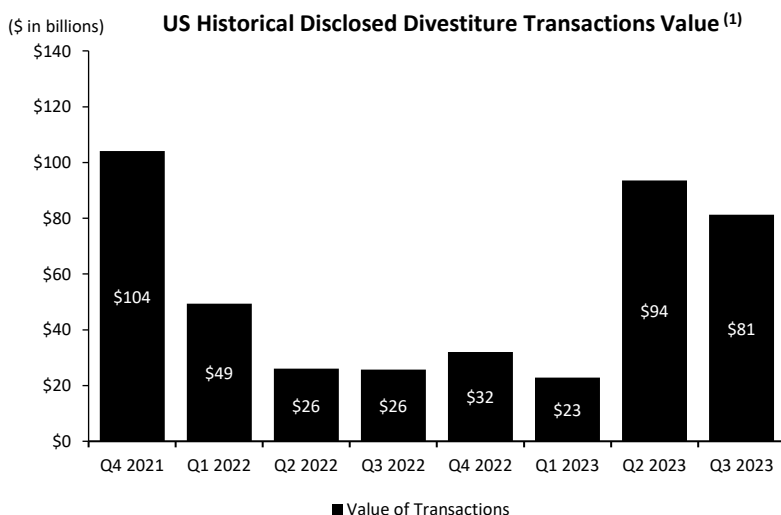
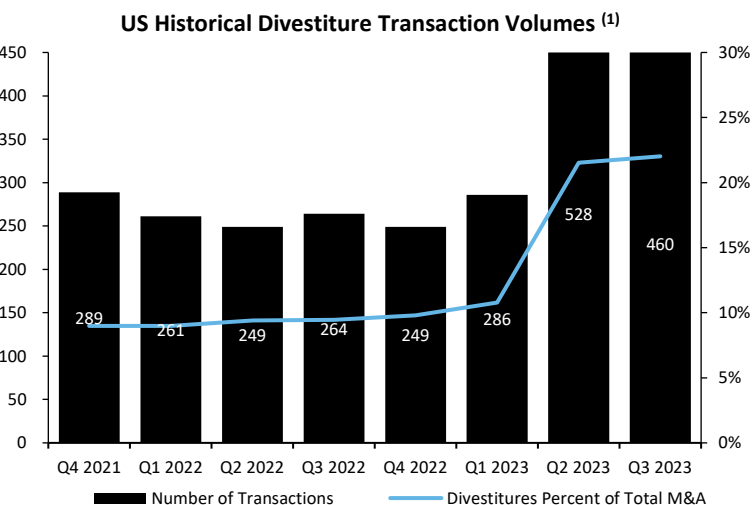
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Macroeconomic outlook



Source: (1) Please refer slide 12.

US historical divestitures



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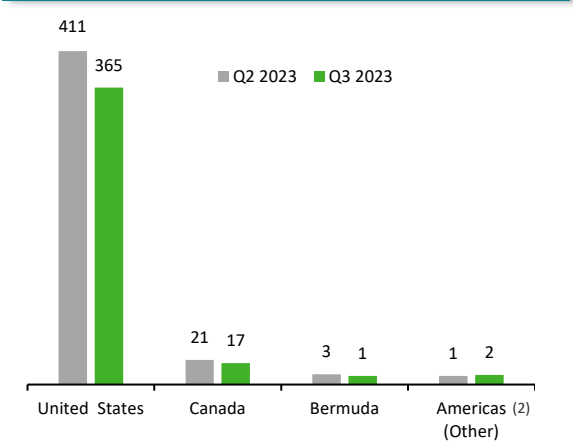
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Global divestitures – deal volume analysis

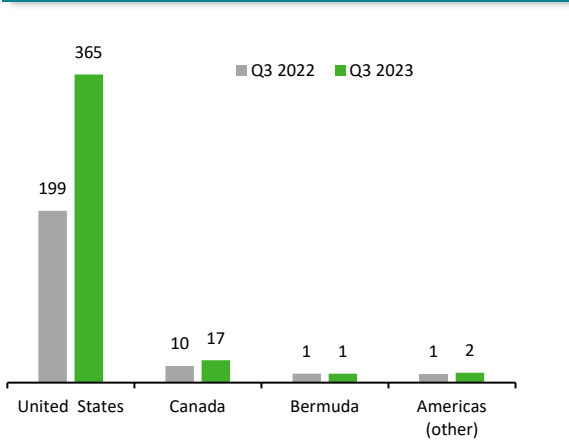
Most active acquiror countries by region ⁽¹⁾

Americas

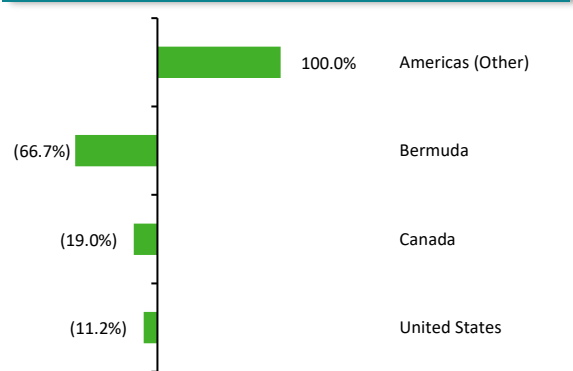
Deal volumes – Q3 2023 vs Q2 2023



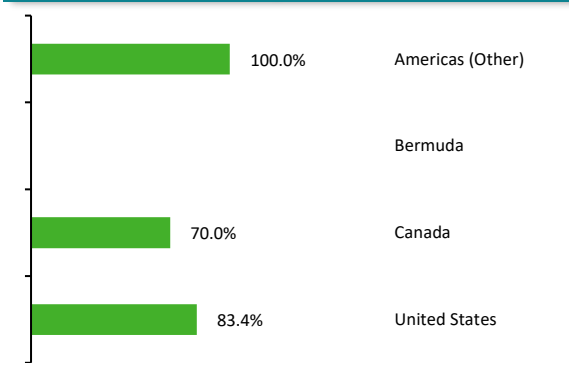
Deal volumes – Q3 2023 vs Q3 2022



Deal volume % change – Q3 2023 vs Q2 2023

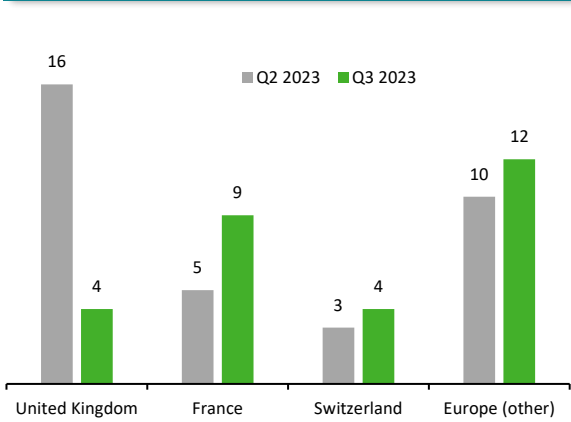


Deal volume % change – Q3 2023 vs Q3 2022

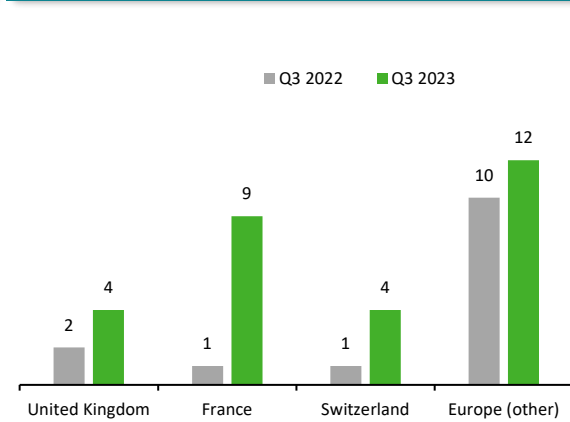


Europe

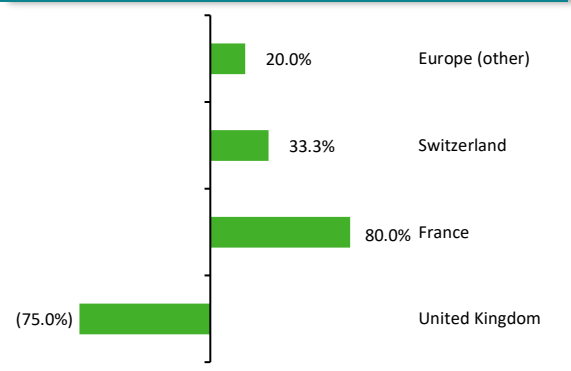
Deal volumes – Q3 2023 vs Q2 2023



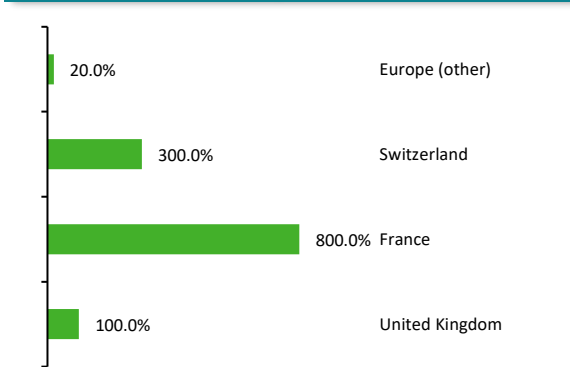
Deal volumes – Q3 2023 vs Q3 2022



Deal volume % Change – Q3 2023 vs Q2 2023



Deal volume % Change – Q3 2023 vs Q3 2022

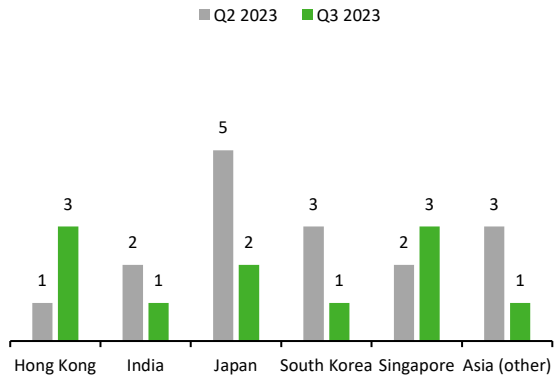


Global divestitures – deal volume analysis (cont.)

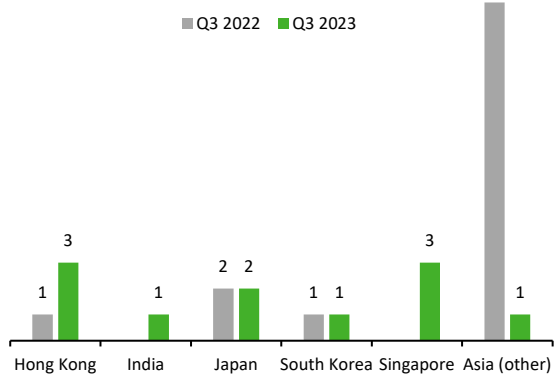
Most active acquiror countries by region ⁽¹⁾

Asia

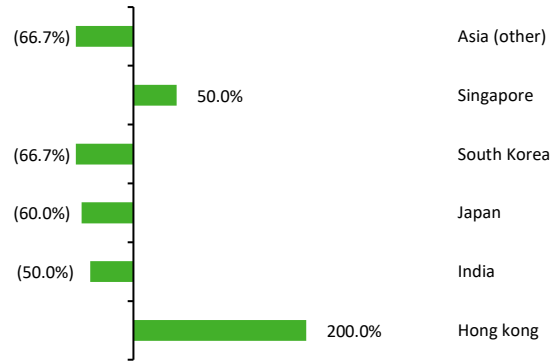
Deal volumes – Q3 2023 vs Q2 2023



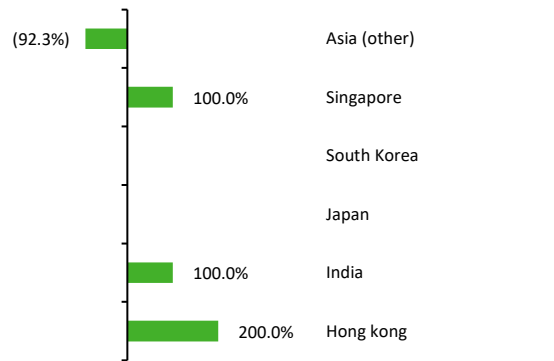
Deal volumes – Q3 2023 vs Q3 2022



Deal volume % change – Q3 2023 vs Q2 2023

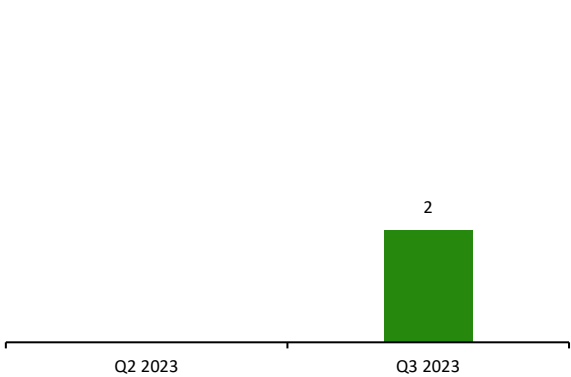


Deal volume % change – Q3 2023 vs Q3 2022

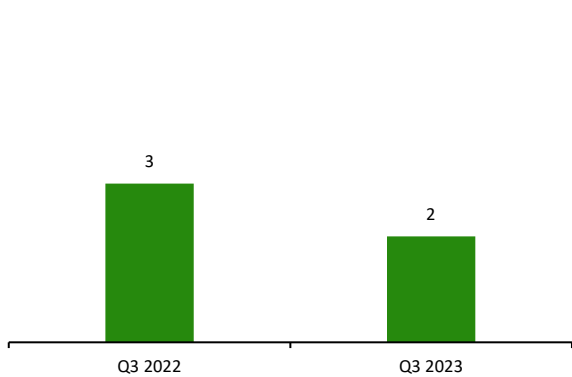


Rest of the world

Deal volumes – Q3 2023 vs Q2 2023

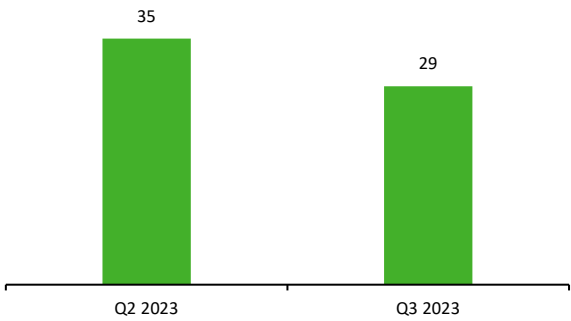


Deal volumes – Q3 2023 vs Q3 2022

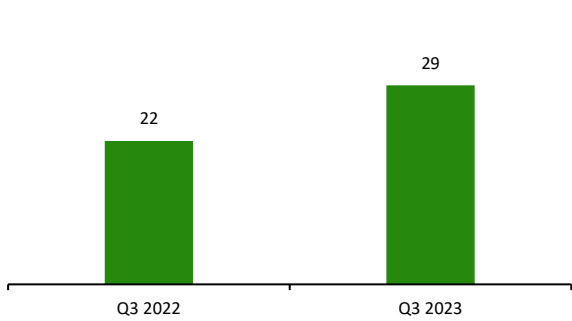


Undisclosed acquirors

Deal volumes – Q3 2023 vs Q2 2023



Deal volumes – Q3 2023 vs Q3 2022



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Appendix

Sources cited

Page 2:

1. [Mergermarket](#). Accessed October 09, 2023. Data as of September 30, 2023.

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1. [Refinitiv](#). Accessed October 09, 2023. Data as of September 30, 2023.

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 - b. [Mergermarket](#). Accessed October 09, 2023. Data as of September 30, 2023.
 - c. [Refinitiv](#). Accessed October 09, 2023. Data as of September 30, 2023.

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 - b. [Refinitiv](#). Accessed October 09, 2023. Data as of September 30, 2023.



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