

# Deals from PwC

Drive your growth. Secure your future.

## Global Industrial Manufacturing Deals Insights

Q2 2019

### Executive summary

Worldwide and North American cross-sector deal value increased 12% and 20% respectively, from Q1 2019 to Q2 2019, driven by megadeals, which remain prominent. Worldwide and North American cross-sector deal volumes increased 32% and 30%, respectively, during that same period. While industrial manufacturing deal volume was relatively flat quarter-over-quarter, the sector saw a 31% increase in deal value from Q1 2019 to Q2 2019. Industrial manufacturing megadeals activity in Q2 2019 drove deal value to \$27.4 billion, which is higher than the robust quarterly average deal value we saw from 2016 to 2018 of \$24.6 billion. Year-to-date industrial manufacturing deal activity has been driven by scale transaction, which are primarily focused on product, customer and geographic expansion. While the decline in deal value in Q1 2019 may have been reflective of some deal maker's concern over trade wars, monetary policy and slowing GDP growth, the strong Q2 2019 M&A results would indicate those concerns have subsided.



*"Twenty nineteen is shaping up to be the best year for megadeals since 2014 in the industrial manufacturing sector."*

— Paul Elie, US Industrial Manufacturing Deals Leader

Q2 2019	YTD 2019 versus YTD 2018	Q2 2019 versus Q1 2019
Total deal value <b>\$27.4 billion</b>	21%	31%
Total deal volume <b>562</b>	17%	3%
Average deal size* <b>\$108.8 million</b>	1%	2%

### Trends and highlights

- The total deal value reached to its peak as compared with last three quarters. With \$27.4 billion, the deal value increased by 31% in Q2 2019 vs. Q1 2019. Total deal volume increased slightly by 3% to 562 deals in Q2 2019 from 543 deals in Q1 2019.
- The average deal size decreased by 2% to \$108.8 million in Q2 2019 compared to Q1 2019. But the average deal grew by a mere 1% for YTD 2019 when compared with YTD 2018.
- The top three deals in the current quarter accounted for \$12.2 billion of deal value or 45% of total disclosed deal value.
- North America contributed the largest deal value primarily driven by the megadeal between Gardner Denver Holdings Inc. and Ingersoll-Rand US Holdco Inc.

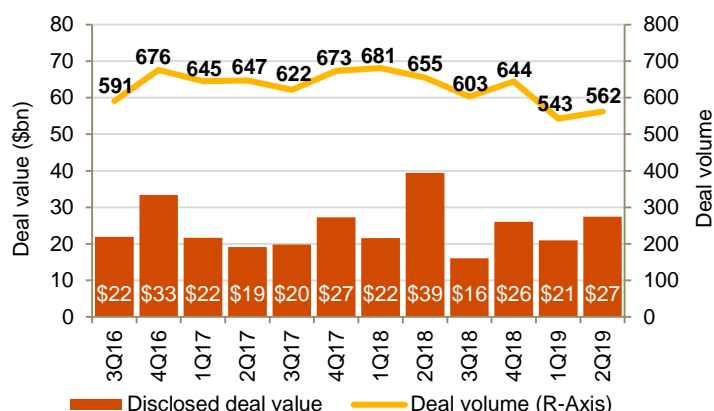
\*Average deal size is calculated by dividing the total disclosed deal value with the total number of deals with disclosed deal values.

# Highlights of Q2 2019 and year-to-date deal activity

## Deal value and volume overview

With \$27.4 billion in deal value, Q2 2019 reached the peak for deal value when compared with last three quarters. This increase in deal value is due to the megadeal between Gardner Denver Holdings Inc. and Ingersoll-Rand US Holdco Inc. worth \$8.7 billion, which is almost one third of the total deal value in the quarter. Deal volume also increased slightly by 3% to 562 deals from 543 in the previous quarter.

## Total deal value (in \$ billion) and volume



## Largest transaction

The largest transaction in Q2 2019 was the \$8.7 billion merger between Gardner Denver Holdings Inc. and Ingersoll-Rand US Holdco Inc. using a Reverse Morris Trust transaction structure. It is expected the merger will create a leading industrial company with estimated revenue of approximately \$6.6 billion in FY 2019, with expected annualized cost synergies of approximately \$250 million to be achieved by the end of year three.

## Megadeals\*

Gardner Denver Holdings Inc. acquiring Ingersoll-Rand US Holdco Inc. for \$8.7 billion and Berry Global International Holdings Ltd. acquiring RPC Group PLC for \$6.2 billion were the two megadeals witnessed in YTD 2019. The combined deal value of ~\$15 billion represents 31% of the total disclosed deal value for the first six months of the year.

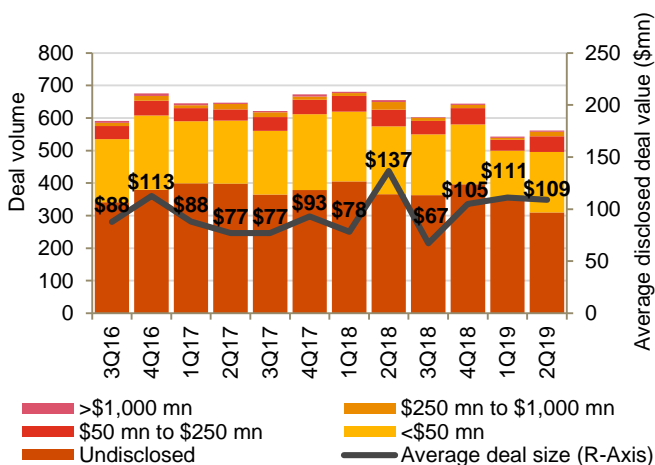
**\$8.7 billion**



**2 megadeals**



## Deals by disclosed value



## Deals by disclosed value and average deal size

The average deal size in Q2 2019 decreased by 2% when compared with Q1 2019. For YTD 2019, the average deal size went up by 1% over YTD 2018. The average deal size has been on an increasing trend due to the presence of three megadeals with the combined deal value of \$24.4 billion in the last one year.

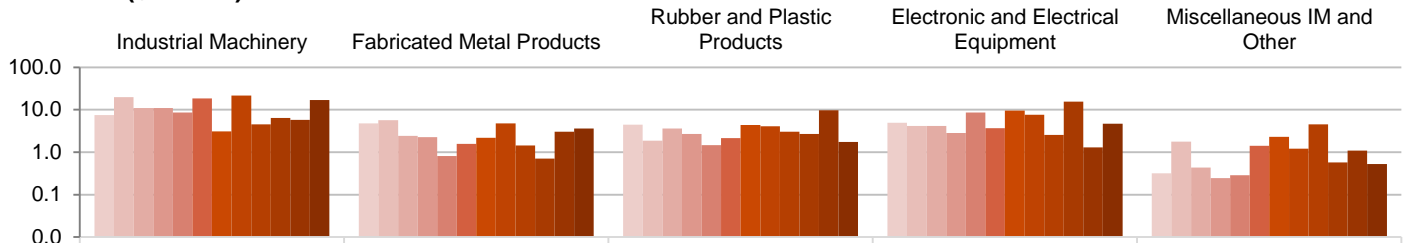
Source: Thomson Reuters and other publicly available sources.  
\*Megadeals defined as deals with disclosed value equal to or greater than \$5 billion.

# Highlights of Q2 2019 and year-to-date deal activity, continued

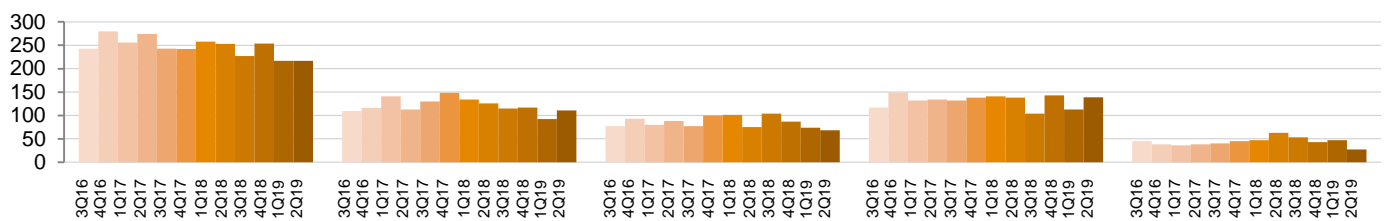
## Sub-sector analysis

Industrial Machinery led the pack in Q2 2019, with 61% and 39% in deal value and volume, respectively. This is largely due to the megadeal between Gardner Denver Holdings Inc. and Ingersoll-Rand US Holdco Inc. worth \$8.7 billion. Additionally, three out of the top ten deals were Industrial Machinery with aggregate disclosed deal value of ~\$12 billion. Electronic & Electrical Equipment category followed Industrial Machinery with 17% share of deal value and 25% share of deal volume.

### Deal value (\$ billion)



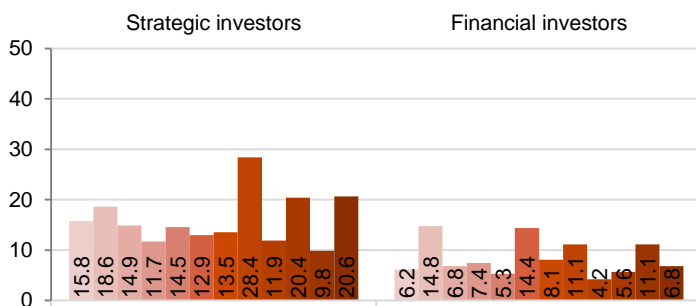
### Deal volume



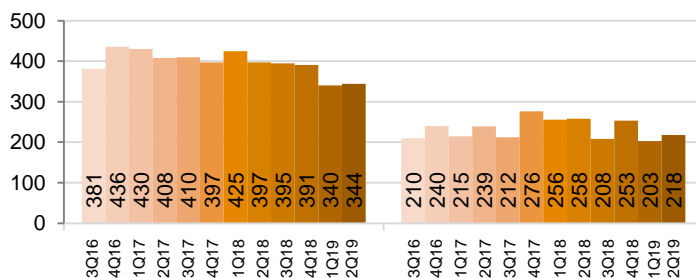
## Financial vs. strategic investors

Strategic investors restored their dominance over the financial investors due in large part to the megadeal. In Q2 2019, strategic investors accounted for \$20.6 billion of deal value or 75% of the total deal value. The deal value for strategic investors grew by 2.1x in the current quarter when compared with the previous quarter. In terms of deal volume, strategic investors recorded 344 deals which accounted for 61% of the total deal volume. The deal value for financial investors almost halved over the previous quarter, however, the deal volume increased by 7%.

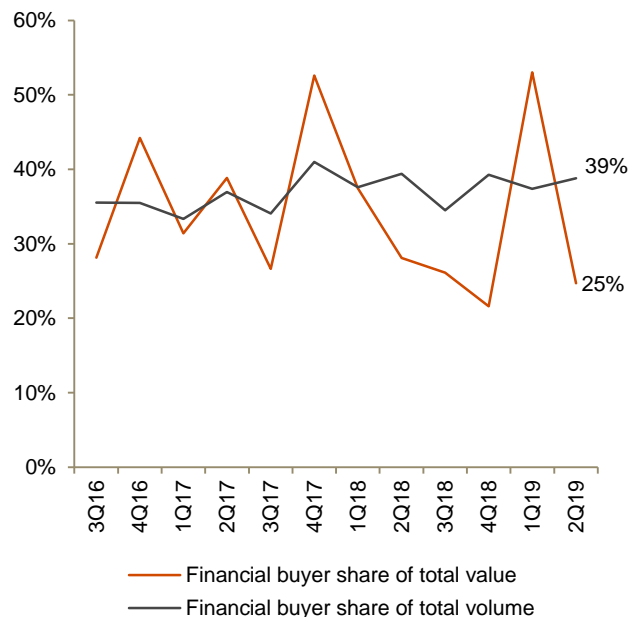
### Deal value (\$ billion)



### Deal volume



### Financial investor share of M&A activity

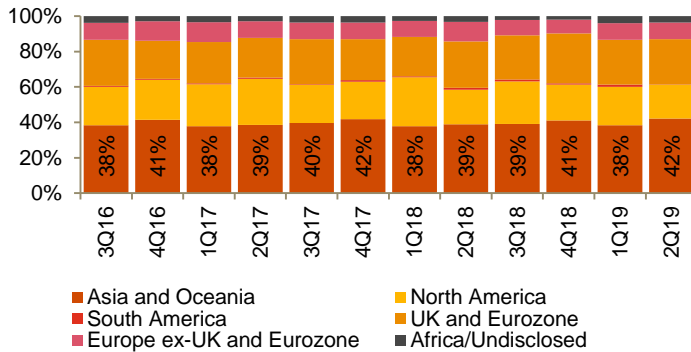


# Regional deal trends in Q2 2019

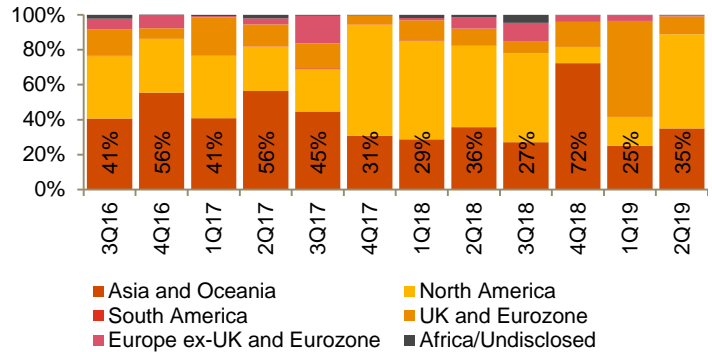
## Regional analysis

Under the acquirer regions, in Q2 2019 the North America region had the highest share of deal value at 54% followed by Asia and Oceania region with 35% share of value. In terms of volume, Asia and Oceania led with 42% share, followed by 26% share of the UK and Eurozone. Similar trends can also be observed in the target region where deal value was led by the North America region with 52% share while Asia and Oceania led the deal volume category with 43% share.

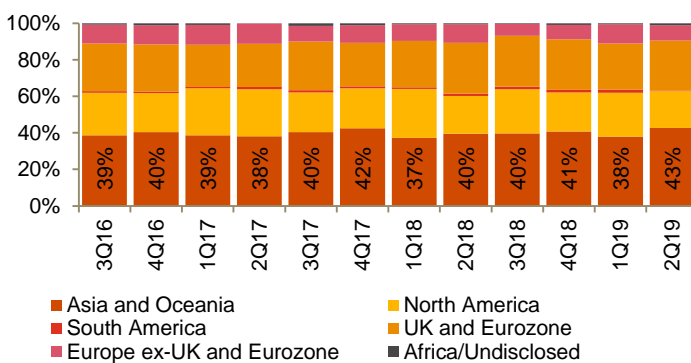
Share of deal volume by acquirer region



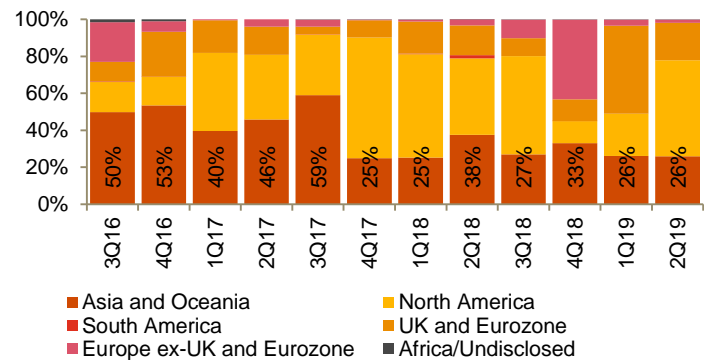
Share of deal value by acquirer region



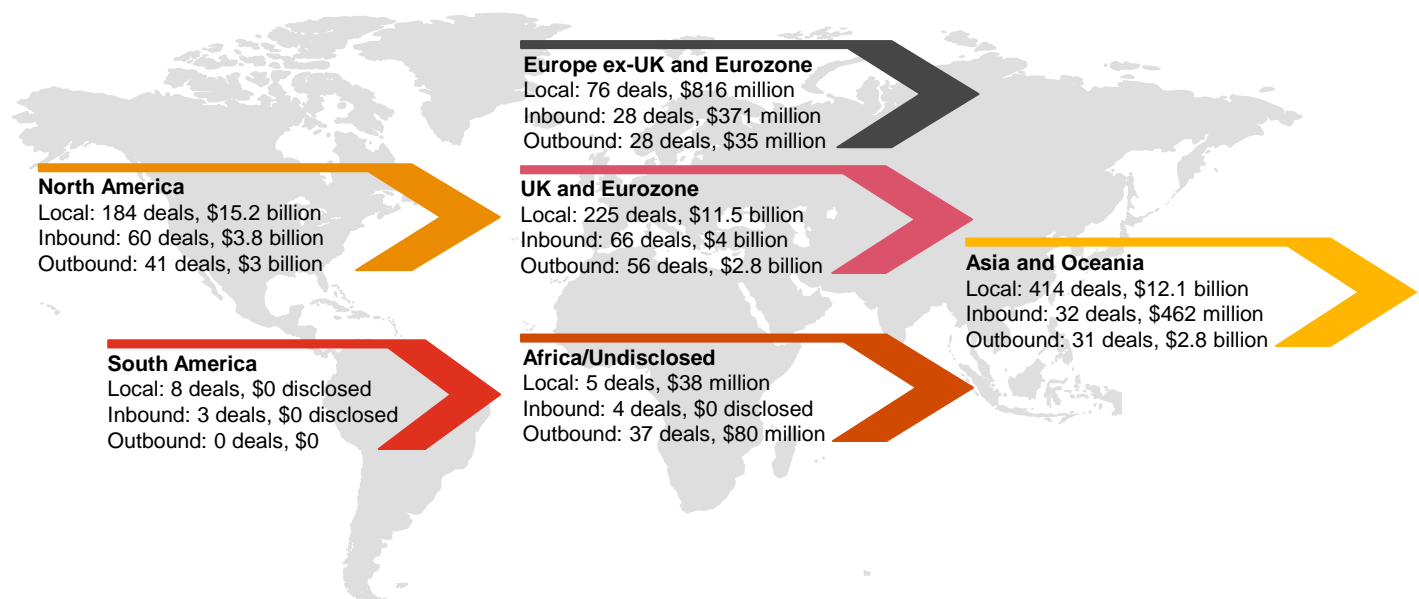
Share of deal volume by target region



Share of deal value by target region



## Industrial Manufacturing deals by region (YTD 2019)\*



\*Deal values above include those with disclosed value only. Deal volume with no values ("0") implies that the transaction values of those deals were not disclosed.

# IM top deals 2019 and outlook

## Key announced transactions (YTD 2019)

Announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Deal value*	Category
04/30/19	Ingersoll-Rand US Holdco Inc.	United States	Gardner Denver Holdings Inc.	United States	Pending	8,736	Industrial Machinery
01/31/19	RPC Group PLC	United Kingdom	Berry Global International Hold. Ltd.	United Kingdom	Pending	6,244	Rubber and Plastic Products
02/25/19	IFCO SYSTEMS GmbH	Germany	Investor Group	United Kingdom	Completed	2,510	Rubber and Plastic Products
05/16/19	Howden Group Ltd.	United Kingdom	KPS Capital Partners LP	United States	Pending	1,800	Industrial Machinery
05/21/19	CIRCOR International Inc.	United States	Crane Co.	United States	Pending	1,680	Fabricated Metal Products
03/29/19	Hudong Heavy Machinery Co. Ltd.	China	CSSC Offshore & Marine Engineering (Group) Co. Ltd.	China	Pending	1,658	Industrial Machinery
02/11/19	Accudyne Industries LLC-Precision Flow Systems Management Business	United States	Ingersoll-Rand PLC	Ireland-Rep	Completed	1,450	Fabricated Metal Products
04/24/19	JR Automation Technologies LLC	United States	Hitachi Ltd.	Japan	Pending	1,425	Industrial Machinery
06/17/19	Cobex Holdco GmbH	Germany	Tokai Carbon Co. Ltd.	Japan	Pending	921	Electronic and Electrical Equipment
03/28/19	Ideavillage Products Corp-FLAWLESS & FINISHING TOUCH Brands	United States	Church & Dwight Co. Inc.	United States	Completed	900	Miscellaneous IM & Other

Source: Thomson Reuters and other publicly available sources.

\*In Million USD

## Industrial Manufacturing outlook moving into mid-year 2019

The disruptive factors we highlighted in our year-end 2018 and Q1 2019 Insights appear to have subsided. The continued stable economic environment has offset the negative sentiment over the trade war and other geopolitical concerns. The robust M&A results in Q2 2019 has shown that deal making has continued on the growth trends experienced in 2017 and 2018. This illustrates the positive factors in play for the last several years are still present in today's M&A market.

### Positive factors impacting the deal-making landscape in 2019:

- Record levels of dry powder from private equity funds and healthy corporate balance sheets coupled with the repatriation of cash for US-based multinationals indicates sufficient level of capital to support M&A. Additionally, debt is currently and will likely remain relatively cheap throughout 2019.
- Manufacturers are investing heavily in digital to create efficiencies on factory floors, throughout the supply chain and with customers. Tech companies who offer digital solutions may increase deal makers' appetite to acquire those technology capabilities.
- A split Congress in the US will provide more certainty that regulatory changes will be minimal.
- The prominence of megadeals is reflecting a decoupling of the megadeals segment of the M&A market from the lower-growth global economic environment.

### Disruptive factors likely to create a pause in deal making in 2019:

- The Chinese and US economies are pointing to economic slowdowns. Chinese GDP growth in 2019 is expected to be between 6.2%–6.4%, a decrease from approx. 6.7%–6.8% in 2018. The US GDP annualized growth in 2019 is expected to be between 1.8%–2.3%, a decrease from approx. 3%–3.5% in 2018.
- Uncertainties as it relates to length of economic slowdowns around the globe, Brexit, and the continued struggles to negotiate trade agreements and tariff concessions between the US and China, remain on the back of the minds of deal makers.

As published in PwC's Deals 2019 mid-year outlook, concerns over the health of the economy are beginning to loom larger after the U.S. has hit 10 years of uninterrupted growth. The results of deal-making activity in Q2 2019 has shown that the US will remain active in M&A as companies still have access to cheap capital and strong corporate balance sheets and earnings will continue to enhance shareholder expectations for growth and returns. We believe IM companies will continue to use M&A to drive their growth strategies and the second half of 2019 will continue to be fueled by megadeals.

# About Deals from PwC

For a deeper discussion on deal considerations, please contact one of our practice leaders or your local Deals partner:

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Smart deal makers are perceptive enough to see value others have missed, flexible enough to adjust for the unexpected, aggressive enough to win favorable terms in a competitive environment, and circumspect enough to envision the challenges they will face from the moment the contract is signed. But in a business environment where information can quickly overwhelm, the smartest deal makers look to experienced advisors to help them fashion a deal that works.

PwC's Deals group can advise industrial manufacturing (IM) companies and IM-focused private equity firms on key M&A decisions, from identifying acquisition or divestiture candidates and performing detailed buy-side diligence, to developing strategies for capturing post-deal profits and exiting a deal through a sale, carve-out, or IPO. With more than 20,000 deals practitioners worldwide, we can deploy seasoned teams that combine industrial manufacturing industry skills with local market knowledge virtually anywhere and everywhere your company operates or executes transactions.

Although every deal is unique, most will benefit from the broad experience we bring to delivering strategic M&A advice, due diligence, transaction structuring, M&A tax, merger integration, valuation, and post-deal services.

In short, we offer integrated solutions, tailored to your particular deal situation and designed to help you extract peak value within your risk profile. Whether your focus is deploying capital through an acquisition or joint venture, raising capital through an IPO or private placement, or harvesting an investment through the divesture process, we can help.

For more information about M&A and related services in the global industrial manufacturing industry, please visit [www.pwc.com/us/deals](http://www.pwc.com/us/deals) or [www.pwc.com/us](http://www.pwc.com/us).

### About the data

The information presented in this report is an analysis of deals in the global industrial manufacturing industry. Deal information was sourced from Thomson Reuters and includes deals for which targets have an SIC code that falls into one of 111 industrial manufacturing industry groups. Certain adjustments have been made to the information to exclude transactions which are not specific to IM or incorporate relevant transactions that were omitted from the SIC industry codes.

This analysis includes all individual mergers, acquisitions, and divestitures for disclosed or undisclosed values, leveraged buyouts, privatizations, minority stake purchases, and acquisitions of remaining interest announced between July 1, 2016 and June 30, 2019, with a deal status of completed, partially completed, pending, pending regulatory and pending completion, and excludes all rumors and seeking buyers. Additionally, transactions that are spin-offs through distribution to existing shareholders are included.

Percentages and values are rounded to the nearest whole number which may result in minor differences when summing totals.