



## SPOT ON TESTING, INSPECTION & CERTIFICATION

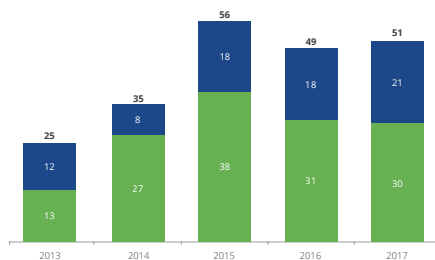
**Arjen Kostelijk**, Oaklins' testing, inspection & certification (TIC) specialist, is pleased to share an update on M&A in the sector in this third edition of Spot On.

"Oaklins has advised on numerous mergers and acquisitions in the TIC sector. Recent examples include the sales of CAG AMned to Gate Invest, Genesis Group to Actis, Omegam Laboratoria to Eurofins, Roos+Bijl to

SGS and Tem Group to Instrumentation Laboratory. Private equity (PE) firms have been very active in the TIC industry and, in the last five years, we have seen a clear increase in deal activity involving private equity.

This newsletter provides further insight into the current active role of private equity investors in the TIC M&A market, covering the subjects below."

## PRIVATE EQUITY ACTIVITY



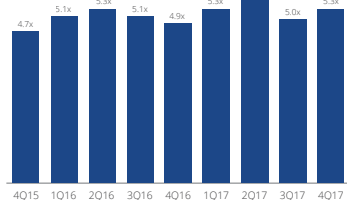
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## SPOTLIGHT

Partners Group	Apax	OMERS	Trescal
In January 2017, Swisscom invested from PSP and a total consideration of US\$ 1.2 billion.	In December 2016, UK-based engaged in the provision of a Netherlands-based open Materials Technology camp.	In December 2015, UK-based engaged in the provision of a Netherlands-based open Materials Technology camp.	In December 2017, Canada-based private equity firm Omers acquired Trescal, a France-based company engaged in providing verification, calibration and measurement services for the test and measurement equipment market. Recent acquisitions of Trescal include:
Date	Date	Date	Date
29-Mar-2018	1-Jun-2018	4-Jun-2018	17-Jul-2018
25-Mar-2018	13-Nov-2017	9-Nov-2017	24-May-2018
28-Jul-2017	7-Oct-2017	19-Apr-2017	10-Apr-2018
6-Feb-2017	6-Feb-2017	16-Jan-2017	16-Jan-2018
Target	Target	Target	Target
MetricControl	MetricControl	MetricControl	MetricControl
Country	Country	Country	Country
Target description	Target description	Target description	Target description
Provider of accredited calibration laboratory services	Provider of accredited calibration laboratory services	Provider of accredited calibration laboratory services	Provider of accredited calibration laboratory services
Provider of calibration, validation and compliance services	Provider of calibration, validation and compliance services	Provider of calibration, validation and compliance services	Provider of calibration, validation and compliance services
Provider of temperature measurement services	Provider of temperature measurement services	Provider of temperature measurement services	Provider of temperature measurement services
Provider of calibration services for life science industries	Provider of calibration services for life science industries	Provider of calibration services for life science industries	Provider of calibration services for life science industries

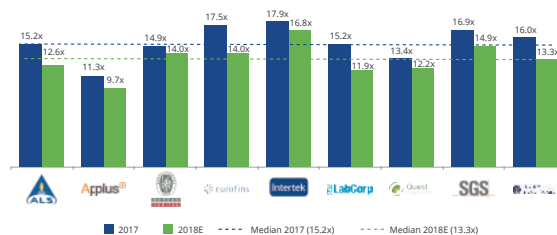
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## INTRO TO PE DEALS



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## VALUATION METRICS



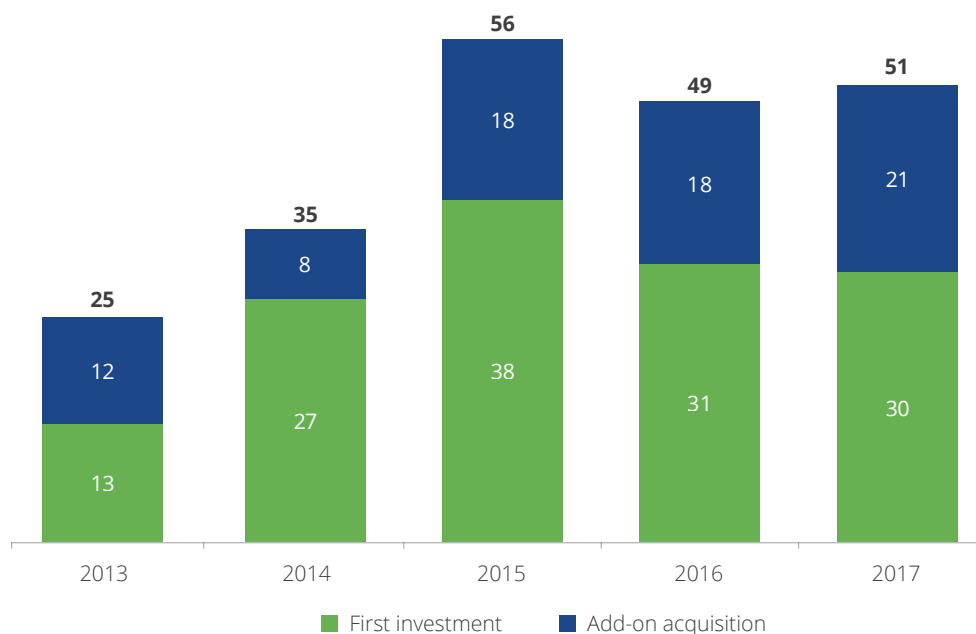
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### Private equity becomes increasingly active in the TIC M&A market

The global M&A market is still booming, thanks in part to ongoing economic prosperity, the wider availability of low-cost and flexible financial debt, and the growing presence of private equity funds seeking profitable investments.

In the past five years we have seen increasing activity from private equity firms in the TIC sector, largely due to the extremely strong and resilient industry fundamentals that make this a popular sector for financial investors.

Number of deals involving private equity (global TIC deals from 2013 to 2017)



Source: Mergermarket

TIC companies generally deliver high margins combined with relatively low capital expenditure. In addition, their financial performance is often underpinned by significant revenue visibility, coming from long-term contracts supported by increasing regulation. Another of the sector's key attractions is the potential for multiple exit options, including secondary buy-outs, IPOs or a sale to one of the very acquisitive trade buyers, such as Eurofins (39 deals in 2017 and 2018), SGS (eight deals) or Bureau Veritas (10 deals).

Private equity groups are responsible for many notable transactions in the sector. Financial investors own around 70% of all TIC companies with revenues between US\$50 million and US\$1 billion. Recent examples include Apax's acquisition of the remaining stake in Unilabs (11.8x EV/EBITDA),

PSP's and Partners Group's investment in Cerba Healthcare (12.0x EV/EBITDA) and Bridgepoint's acquisition of Element Materials Technology (11.3x EV/EBITDA).

Private equity investors tend to aggressively look for buy-and-build projects in the mid-market in order to build sector leadership with a strategic geographic footprint. By actively pursuing buy-and-build strategies, financial investors can increase the efficiency and occupancy rates of their portfolio companies. In addition, multiple arbitrage can be achieved when growing a business above certain thresholds. As the TIC sector is still fragmented, there are ample opportunities for private equity firms to further build their TIC platforms with strategic acquisitions, thereby boosting their return on investments.

## Recent private equity platform acquisitions and their buy-and-build programs




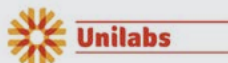
Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS


Cerba HealthCare









In January 2017, Switzerland-based private equity firm Partners Group and Canadian state-owned pension investment firm PSP acquired Cerba Healthcare, a France-based operator of clinical pathology laboratories, for a total consideration of US\$1,920 million. After the transaction, the Cerba platform is further strengthened with the acquisitions of:

Date	Target	Country	Target description
29 Mar 2018			Provider of histology services, including histology, immunohistochemistry, in situ hybridization and image analysis
28-Jul-2017			Owner and operator of clinical pathology laboratories
28-Jul-2017			Provider of diagnostic services
6-Feb-2107			Provider of clinical analysis services and diagnostic services




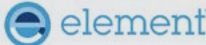


In December 2016, UK-based private equity firm Apax Partners acquired Unilabs, a Switzerland-based diagnostics company engaged in the provision of laboratory medicine and radiology services, for a total consideration of US\$1,588 million. After the transaction, Unilabs made several add-on acquisitions, of which a selection is listed below:









Date	Target	Country	Target description
1-Jun-2018			Operator of specialized medical laboratories
25-Mar-2018			Provider of teleradiology and telepathology services
7-Oct-2017			Provider of services in the field of clinical chemistry diagnostics
9-Feb-2017			Provider of laboratory testing and diagnostic services



## Recent private equity platform acquisitions and their buy-and-build programs












In December 2015, UK-based private equity firm Bridgepoint Advisers acquired Element Materials Technology, a Netherlands-based operator of a network of laboratories. With the support of the new shareholder, Element Materials Technology completed, amongst others, the following transactions:

Date	Target	Country	Target description
4-Jun-2018			Company engaged in material testing, crack detection, ultrasonic testing and X-ray examination
9-Nov-2017			Materials testing company
19-Apr-2017			Provider of testing, calibration, advising and related services
16-Jan-2017			Provider of testing services for the aerospace sector

In December 2017, Canada-based private equity firm Omers acquired Trescal, a France-based company engaged in providing verification, calibration and measurement services for the test and measurement equipment market. Recent acquisitions of Trescal include:

Date	Target	Country	Target description
17-Jul-2018			Provider of accredited calibration laboratory services
24-May-2018			Provider of calibration, validation and compliance services
10-Apr-2018			Provider of temperature measurement services
16-Jan-2018			Provider of calibration services for life science industries

## Insights

When selling a company, a rough split can be made between two types of buyers:

- strategic buyers
- financial buyers, including private equity firms, family offices and high-net-worth individuals.

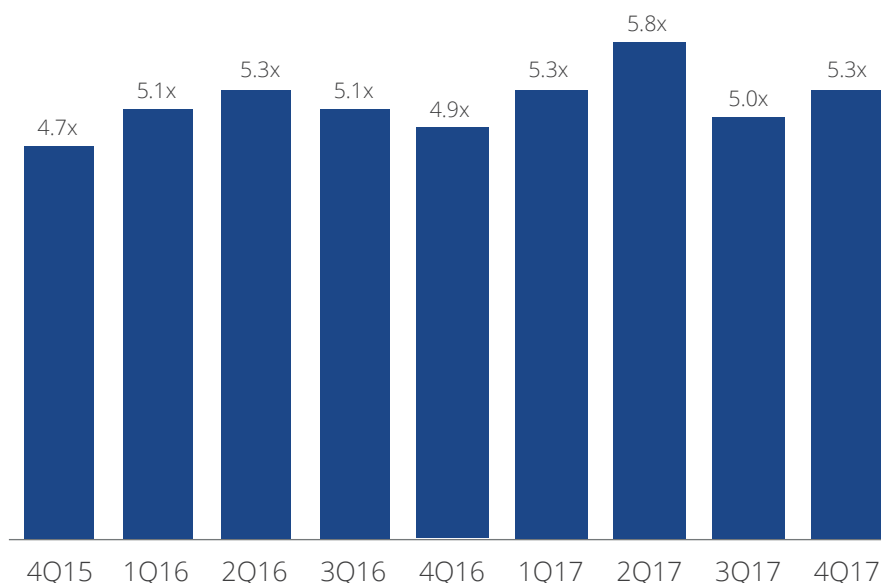
Both buyer groups have their own characteristics, advantages and disadvantages. As this newsletter is focused on the role of private equity in the TIC sector, we will give a short introduction to private equity investors, their added value and the typical transaction structures they work with.

Private equity investors can offer significant added value for private company owners to consider. Firstly, financial investors manage large funds of money, from which they can offer growth capital to support their portfolio companies in a next phase of growth. Financial investors can also be seen as serious sparring partners, offering the relevant expertise to support organic and acquisitive growth. In addition, selling your business to a private equity firm provides an opportunity for the selling shareholders to roll over retained equity and benefit from a second exit.

Transactions involving private equity investors are often characterized as leveraged buy-outs (LBOs). An LBO is the acquisition of a company by a financial investor using equity and a significant amount of borrowed money (leverage) to meet the cost of acquisition. The opportunity for private equity firms to lever a large part of their acquisitions with external debt enables them to win acquisitions with premium valuations without hurting their internal rate of return hurdles.

We see an ongoing eagerness among banks and debt funds to finance these types of acquisitions, particularly when strong, renowned private equity firms with long-term track records are involved. Financing multiples depend on many factors, such as the industry, business plan, stability of cash flows and deal size. Please see below the development of financing multiples for mid-market LBO deals.

Financing multiples for mid-market LBO deals



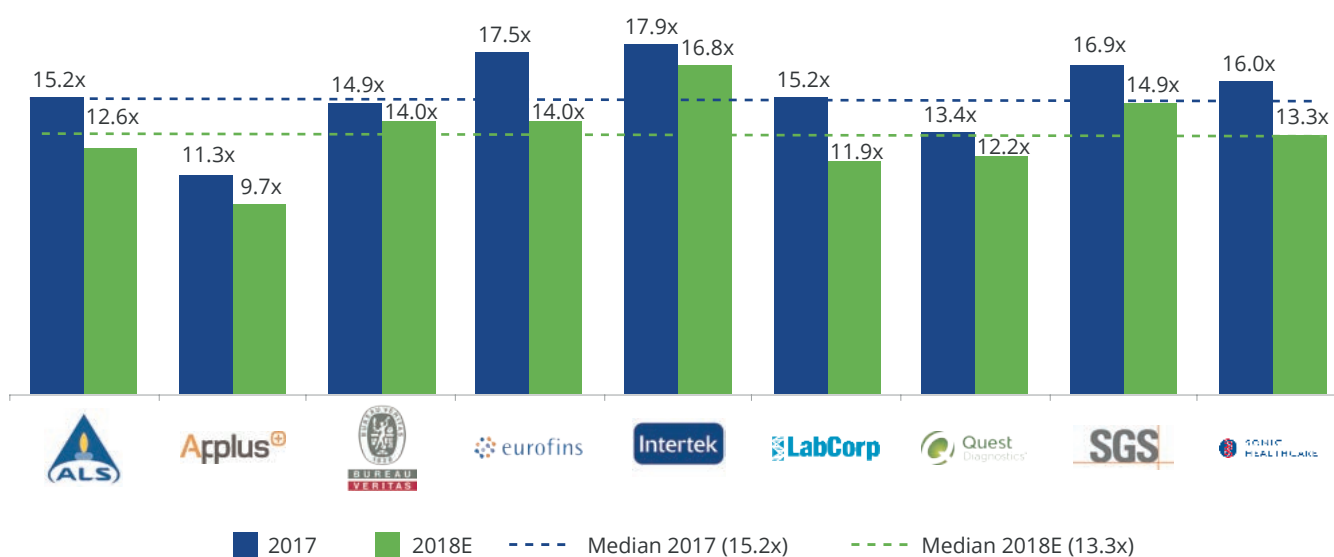
Source: Dealogic

## Continued high valuations for TIC companies

Valuations for listed TIC companies have risen, on average, by circa 81.9% since the beginning of January 2015 (compared with 29.3% for the STOXX Global 1800). The ongoing high valuations for TIC companies are partially driven by ongoing consolidation in the market as well as overall favorable market trends.

The EV/EBITDA median for the selected peer group in 2017 and 2018E is 15.2x and 13.3x, respectively. These high valuations provide ample room for multiple arbitrage for consolidators aiming to sell to large industry players.

EV/EBITDA multiples (as of 15 July 2018)



Source: Infinancials




















**Arjen Kostelijk**, TIC Specialist, Oaklins

"We believe the intention to be a one-stop shop for clients, along with a determination to be more cost efficient and the need to adhere to stricter industry regulations, will continue to be key drivers behind consolidation in the TIC market. As a result, we expect valuations to rise, and we are confident that certain macro-economic trends — including the ample availability of funds and private equity's insatiable need to invest — will ensure continued momentum in the M&A market."



# Valuation trends

## An overview of selected M&A transactions with PE involvement on the buy-side

Date	Target	Buyer	Country	PE-backing by	Rationale	EV (US\$)	EV/ Sales <sup>1</sup>	EV/ EBITDA
1-Jun-2018					Switzerland-based operator of specialized medical laboratories	N/A	N/A	N/A
29-May-2018					Poland-based company engaged in providing laboratory inspection and testing services for various industries	N/A	N/A	N/A
29-May-2018					Poland-based company engaged in providing laboratory inspection and testing services for various industries	N/A	N/A	N/A
24-May-2018					Netherlands-based company that provides solutions in the field of quality and food safety, including process control quality, laboratory research, QA automation, training and label control	N/A	N/A	N/A
23-May-2018					Mexico-based operator of clinical diagnostic laboratories	N/A	N/A	N/A
3-Apr-2018					Netherlands-based company engaged in inspection and examination of various certifications	N/A	N/A	N/A
23-Mar-2018					France-based company that owns and operates clinical pathology laboratories	555.4	4.5x	N/A
1-Mar-2018					UK-based provider of emission and pollution monitoring, control and management services	N/A	N/A	N/A
2-Nov-2017					France-based company engaged in providing calibrations and multi-size checks, 3D measurements, maintenance, fleet management, training, consulting, pre-audits and non-destructive testing services	N/A	N/A	N/A
7-Oct-2017					Netherlands-based laboratory that offers services in the field of clinical chemistry diagnostics to primary and secondary care providers	N/A	N/A	N/A
24-Aug-2017					US-based provider of testing, inspection and recovery services for food industry	N/A	N/A	N/A
7-Aug-2017					Portugal-based company engaged in providing specialty genetic tests and operating a clinical laboratory	N/A	N/A	N/A
21-Jul-2017					UK-based food intolerance testing company	N/A	N/A	N/A
29-Jun-2017					UK-based laboratory testing provider	979.3	2.3x	11.8x

Source: Mergermarket. Note 1: Based on historical values



## Selected Oaklins TIC transactions

 <p>has sold a majority stake to</p>  <p>M&amp;A SELL-SIDE Business Support Services/Private Equity</p>	 <p>has been acquired by</p>  <p>M&amp;A SELL-SIDE Construction &amp; Engineering Services</p>	 <p>has been acquired by</p>  <p>M&amp;A SELL-SIDE Healthcare</p>	 <p>has acquired</p>  <p>US\$8m M&amp;A BUY-SIDE Agriculture/Consumer &amp; Retail/Food &amp; Beverage/Healthcare</p>
 <p>has been acquired by</p>  <p>M&amp;A SELL-SIDE Agriculture/Business Support Services</p>	 <p>has been acquired by</p>  <p>M&amp;A SELL-SIDE Business Support Services</p>	 <p>has been acquired by</p>  <p>M&amp;A SELL-SIDE Business Support Services/Private Equity</p>	 <p>has been acquired by</p>  <p>M&amp;A SELL-SIDE Business Support Services/Construction &amp; Engineering Services/Logistics/Private Equity</p>
 <p>has been acquired by</p>  <p>M&amp;A SELL-SIDE Business Support Services/Healthcare</p>	 <p>has been acquired by</p>  <p>M&amp;A SELL-SIDE Business Support Services/Healthcare/Private Equity</p>	 <p>has been acquired by</p>  <p>US\$1bn M&amp;A SELL-SIDE Healthcare</p>	 <p>has been acquired by</p>  <p>M&amp;A SELL-SIDE Business Support Services/TMT</p>
 <p>has sold a stake to</p>  <p>M&amp;A SELL-SIDE Business Support Services</p>	 <p>has been acquired by</p>  <p>M&amp;A SELL-SIDE Business Support Services/Construction &amp; Engineering Services</p>	 <p>has sold a majority stake to</p>  <p>M&amp;A SELL-SIDE Agriculture/Business Support Services/Private Equity</p>	 <p>has acquired</p>  <p>US\$120m M&amp;A BUY-SIDE Business Support Services</p>



# MEET OAKLINS, THE WORLD'S MOST EXPERIENCED MID-MARKET M&A ADVISOR

700   
professionals

60   
offices

40   
countries

5,000+   
transactions

15   
sectors

### Oaklins offers a comprehensive range of services

- M&A advisory (buy- and sell-side)
- Growth equity and equity capital markets advisory
- Debt advisory
- Corporate finance services

### Oaklins industry specialists

Testing, inspection & certification is one of our focus areas. Combining comprehensive sector knowledge with global execution has led Oaklins to become the most experienced M&A advisor in the TIC sector, with a large contact network of the most relevant market players worldwide. This results in the best possible merger, acquisition and divestment opportunities for TIC companies.

If mergers, acquisitions or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you. Please find our contact details below.



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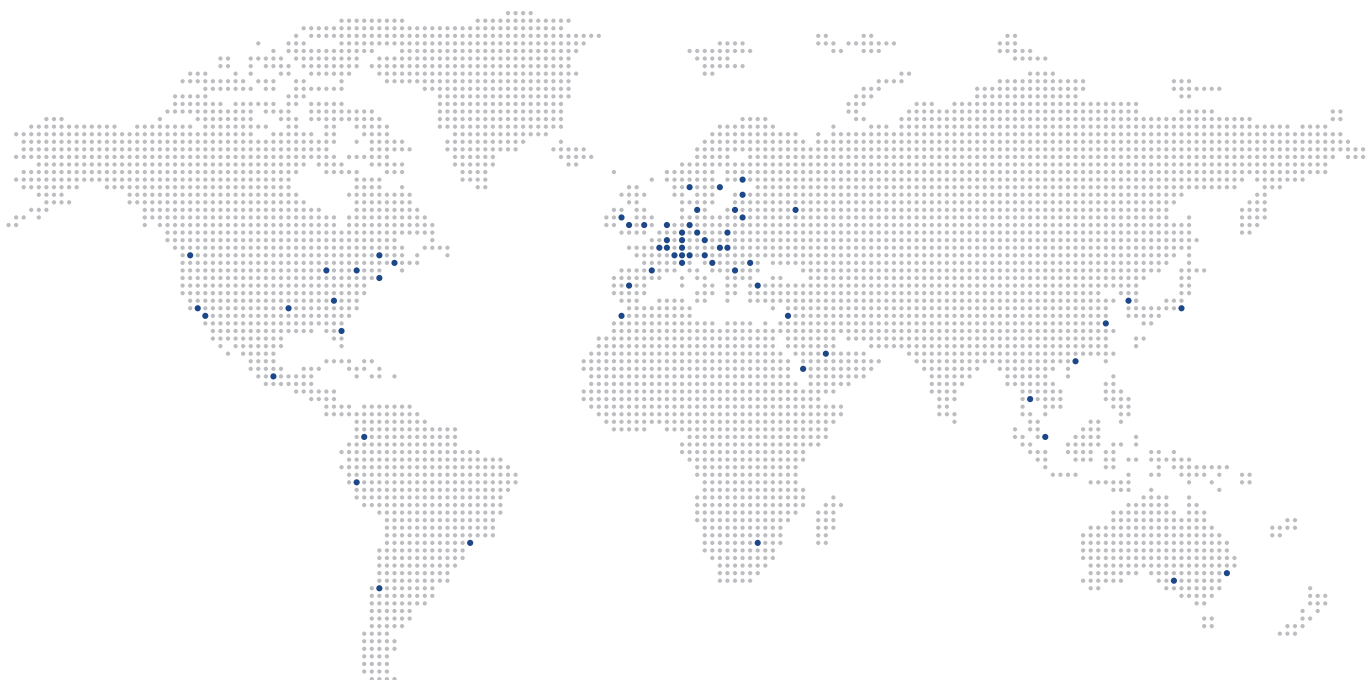
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