



Strong growth forecast for food safety TIC market

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WHAT'S BEEN HAPPENING AND WHAT COMES NEXT?

Oaklins identified many relevant transactions in the global testing, inspection and certification (TIC) market during the second half of 2019.

One notable transaction was the acquisition of QualiTest Group by the UK-based private equity investor Bridgepoint Advisors. As discussed in previous editions of the TIC Spot On, this deal features two key trends in the global TIC M&A market: 1) private equity investors investing heavily in the TIC sector and 2) the digitalization of the sector and related interest in such technology testing companies. In this transaction, Bridgepoint Advisors agreed to acquire a majority stake in QualiTest, a US-based pure-play outsourced software-testing and quality-assurance specialist, for an estimated total consideration of US\$435 million. The transaction supports QualiTest's strategy of expanding its market share through add-on acquisitions, further developing its product portfolio and investing in talent. Pursuant to the transaction, the seller, the US-based private equity investor Marlin Equity Partner, will remain a minority shareholder in QualiTest.

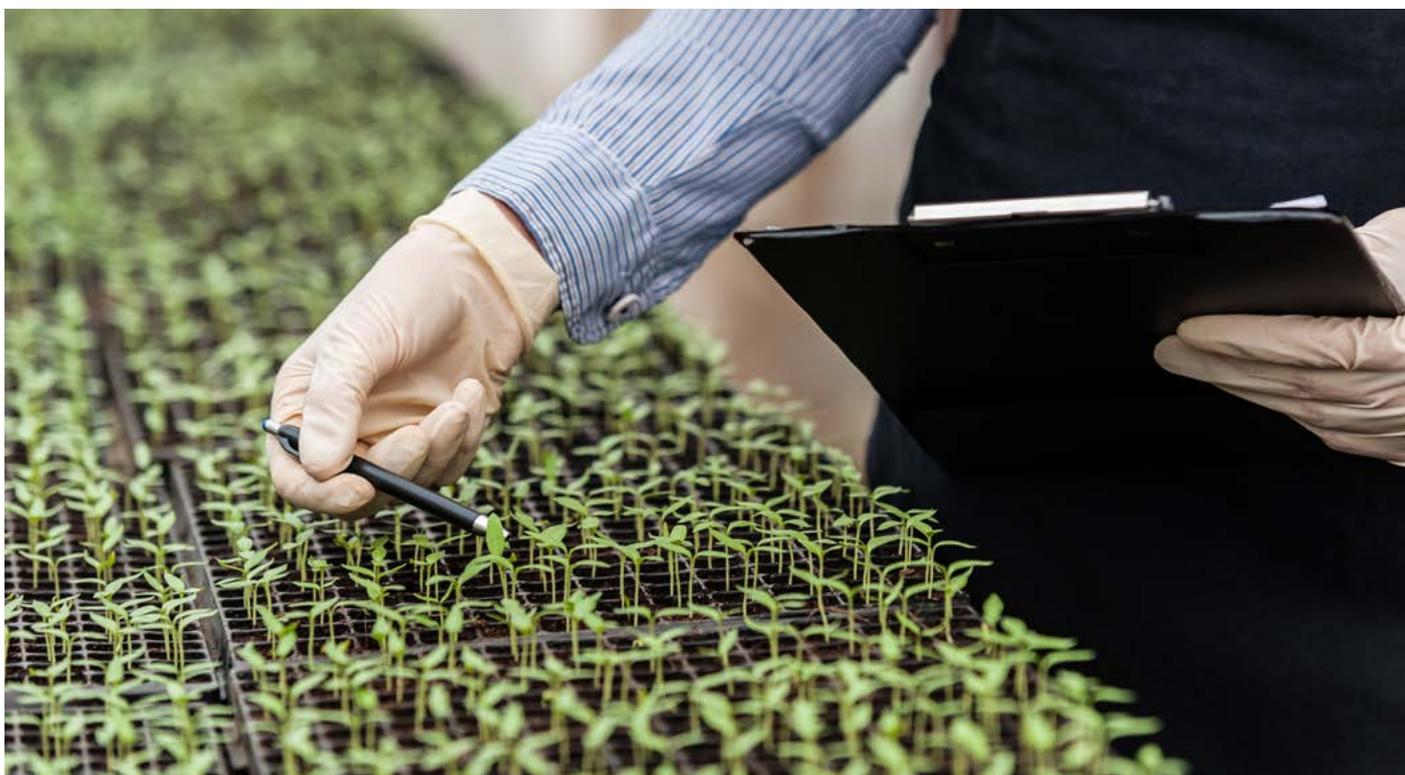
“Food quality and safety is a increasingly important topic in the global food market and makes the food TIC market one of the fastest growing segments in the overall TIC industry.

As a consequence we see a lot of M&A activity in this sub-segment.”

ARJEN KOSTELIJK

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Zoom in on food segment

The global TIC market has an estimated size of around US\$210 billion this year and is expected to grow with a CAGR of 4.9% to US\$266 billion in 2024.

Testing and inspection of food already holds a large share of the total TIC market and it's anticipated to become increasingly important in the coming years.

The global food safety TIC market size is expected to grow from an estimated US\$17 billion in 2018 to US\$24.6 billion in 2023, equivalent to a CAGR of 7.7%. This development is driven by multiple trends, including the increase in the number of outbreaks of food-borne illnesses, the implementation of more stringent food safety regulations, food scandals spread via social media, ongoing technological innovations and the globalization of food supply.

The implementation of various regulations on food safety, particularly in developed countries, drives the growth of the global food safety testing market. One of the largest segments within

the overall food safety testing market is the pathogens segment, which has grown due to an increasing number of instances of food contamination and food-borne poisonings. However, the highest growth is expected in the GMO testing segment, driven by an increase in consumer awareness about genetically modified organisms in food, stringent regulatory restrictions and efficient technology trends.

The food safety TIC market will still be dominated by meat, poultry and seafood. However, the fastest growth is expected to come from the fruit and vegetable segment as this segment is susceptible to microbial and other contaminations.

As witnessed in other segments of the TIC market, we see technology rapidly modernizing the industry. High accuracy, high sensitivity, fast service and low turnaround times in

combination with the ability to test a wide range of different contaminants are demanded by customers and further drive the digitalization and technological innovation within the sector.

The key trends described above have also been visible in the TIC M&A market in the second half of 2019, with multiple transactions in the specialized food safety market. Merieux NutriSciences, one of the largest food testing companies in the United States, has extended its global footprint by acquiring the Netherlands-based company KTBA Netherlands, a provider of quality and business assurance and software solutions for the food testing market. Other transactions in the food testing segment include the acquisition of AS4 by Normec and the acquisition of Nomor Holding by ServiceMaster.

Overview of relevant transactions

1. FOOD AND ENVIRONMENTAL

- In November 2019, **Synlab**, a Germany-based provider of medical and environmental laboratory services, acquired **AnalyTech Miljølaboratorium**, a Denmark-based private laboratory company engaged in providing environmental analytics and services, for an undisclosed consideration
- In September 2019, the Norway-based private equity firm **Norvestor Equity** sold Sweden-based **Nomor Holding**, a provider of pest control, food safety and related services and inspections, to ServiceMaster, for a total consideration of US\$200 million, equivalent to a sales multiple of 3.7x
- In August 2019, **Normec Foodcare**, a Netherlands-based company engaged in providing food testing, inspection and certification services, and a subsidiary of the Normec Group, acquired **AS4**, a Belgium-based company engaged in providing food testing, inspections and certification services, for an undisclosed consideration
- In July 2019, **SWAN Analytische Instrumente**, a Switzerland-based company engaged in developing and manufacturing process analytical instruments for monitoring water quality, acquired **Seres Environnement**, a France-based company engaged in providing water- and air-quality measurement solutions, for an undisclosed consideration
- In July 2019, **Waterland Private Equity Investments**, a Netherlands-based private equity firm, acquired **Cawood Scientific**, a UK-based provider of analytical laboratory testing services for the agricultural, horticultural, feed and environmental sectors, for an undisclosed consideration
- In July 2019, **Eurofins Scientific**, a listed Luxembourg-based provider

of bioanalytical testing services, acquired **GALYS Laboratoire**, a France-based company engaged in analytical laboratory services in agriculture, green spaces and the environment, for an undisclosed consideration

- In July 2019, **Eurofins Scientific** also acquired **Iproma**, a Spain-based provider of a range of laboratory testing, monitoring and consulting services for the environmental sector, for an undisclosed consideration
- In July 2019, **Merieux NutriSciences**, a US-based company engaged in providing evaluation services for food safety, quality and nutrition programs, acquired **KTBA Netherlands**, a Netherlands-based provider of quality and business assurance and software solutions for the food testing sector, for an undisclosed consideration

2. BUILDING, INDUSTRIAL AND PRODUCTS

- In October 2019, **CESI**, an Italy-based energy, technology and innovation consulting company, acquired **KEMA International**, a Netherlands-based company engaged in providing business and technical consultancy, testing, inspections, certification, risk management and verification services, for an undisclosed consideration
- In September 2019, **IMQ**, an Italy-based company engaged in providing quality testing services to manufacturing and services sectors, acquired the CSQ business unit (certification of management systems) from **CESI**, for an undisclosed consideration
- In September 2019, **SGS**, a Switzerland-based company providing testing, certification and quality assurance services, acquired a majority stake in **Argus International**, a US-based provider

of data-driven inspection, safety and compliance solutions to the global aviation market, for an undisclosed consideration

- In July 2019, the US-based holding of **Element Materials Technology**, active in providing product compliance and qualification testing services, acquired **PCTEST Engineering Laboratory**, a US-based company providing testing services to the wireless, electronics and telecommunications industry, for a total consideration of US\$204.5 million
- In July 2019, **Interholding Group**, a France-based oil and gas specialist, acquired the oil and gas activities of **Socotec**, a France-based business unit that provides inspection and technical assistance services mainly for drilling and exploration activities, for an undisclosed consideration
- In July 2019, **International Code Council**, a US-based member-focused association which develops model codes and standards used in design, build and compliance processes, acquired **NTA**, a US-based company engaged in providing testing services, product certification, inspection, construction plan review and code evaluation, for an undisclosed consideration
- In July 2019, **Bureau Veritas**, a France-based company engaged in conformity assessment and certification services, acquired **TA Technology**, a China-based company engaged in authentication and testing services for telecommunication and electronic companies, for a total consideration of US\$8.9 million
- In July 2019, **Bridgepoint Advisors**, a UK-based private equity firm, agreed to acquire a majority stake in **QualiTest Group**, a US-based company engaged in providing software testing and quality assurance services, for an estimated total consideration of US\$435 million

3. HEALTHCARE

- In November 2019, **Unilabs Diagnostics**, a Spain-based company engaged in the provision of medical diagnosis, agreed to acquire **Saltro**, a Netherlands-based diagnostic knowledge center, for an undisclosed consideration
- In October 2019, **Synlab**, a Germany-based provider of medical and environmental laboratory services, acquired **Laboratório S. José**, a Portugal-based provider of medical laboratory services, for an undisclosed consideration
- In August 2019, **ALS Ltd**, a listed Australia-based company engaged in the provision of technical testing and inspection services, acquired **Laboratorios de Control**, a Mexico-based pharmaceutical testing laboratory, for an undisclosed consideration
- In July 2019, **Synlab International**, a Germany-based provider of medical and environmental laboratory services, acquired **Aleris Medilab**, a Sweden-based laboratory medical center, for an undisclosed consideration
- In July 2019, **Versiti**, a US-based healthcare organization focused on transfusion medicine, transplantations and blood-related diseases, acquired **Cenetron Diagnostics**, a US-based company engaged in providing molecular and general laboratory services, for an undisclosed consideration

Case study

LABORATÓRIO
S. José
Análises Clínicas

has been acquired by

SYNLAB

M&A SELL-SIDE

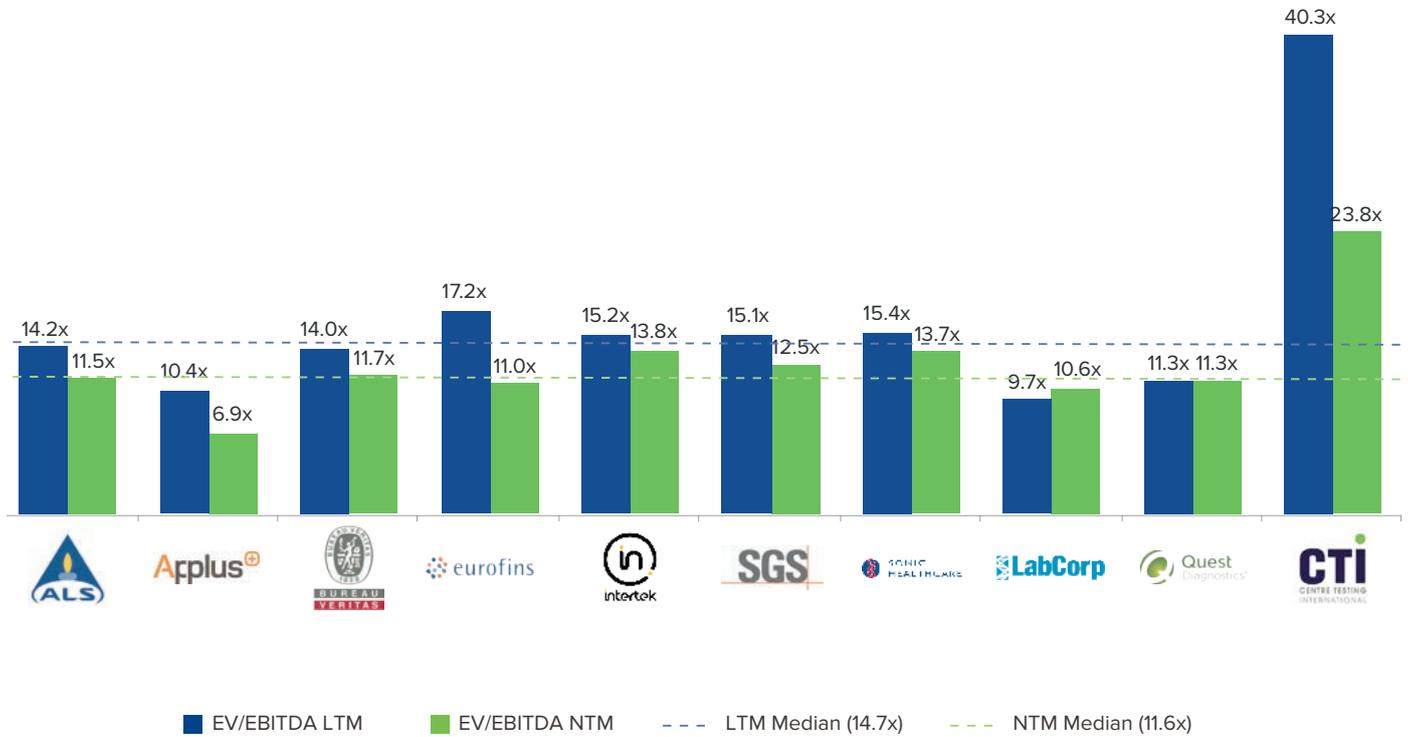
Business Support Services/Healthcare

The shareholders of Laboratório S. José have sold the company to Synlab.

In October 2019, Oaklins completed another deal in the TIC sector. In this transaction, we advised the shareholders of Laboratório S. José in the sale to Synlab. Founded over 40 years ago, Laboratório S. José is a clinical analysis laboratory based in Portugal. Synlab is an international medical diagnostics provider with over 40 laboratories in more than 40 countries.

Market multiples and valuation trends

CURRENT TRADING MULTIPLES



Source: Infront Analytics

HISTORICAL VALUATIONS (EV/EBITDA NTM)



Decades of experience behind the success of these deals:

 Ambry Genetics

has been acquired by


KONICA MINOLTA

US\$1bn
M&A SELL-SIDE

Healthcare

 cag amned

has sold a majority stake to

 gate invest

M&A SELL-SIDE

Business Support Services/Private Equity

 GENESISGROUP
COMPLIANCE ASSURANCE

has sold a majority stake to

 Actis
The positive power of capital

M&A SELL-SIDE

Agriculture/Business Support Services/
Private Equity

 insitesecurity

has been acquired by

 eurofins

M&A SELL-SIDE

Business Support Services/TMT

 KOAC - NPC

has been acquired by

 kiwa

M&A SELL-SIDE

Business Support Services/Construction &
Engineering Services/Logistics/Private Equity

 N
NORKJEMI AS

has been acquired by

 SHIELDGROUP
keeping the future in shape

M&A SELL-SIDE

Business Support Services/Private Equity

 OMEGAM
Laboratoria

has been acquired by

 eurofins

M&A SELL-SIDE

Agriculture/Business Support Services

 SEKARGAS

has been acquired by

 HAMILTON POLAND
WYKONAWSTWO I BADAŃ LABORATORYJNE

M&A SELL-SIDE

Business Support Services/Private Equity

Oaklins is the world's most experienced mid-market M&A advisor, with 800 professionals globally and dedicated industry teams in 40 countries worldwide. We have closed over 1,500 transactions in the past five years.

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