

INDUSTRIAL MACHINERY & COMPONENTS

Deal flash, October 2018

INTEGRATED PHOTONICS GROUP BUILDS A GLOBAL LEADER IN AUTOMATION SOLUTIONS

Deal snapshot

- JENOPTIK AG, a German integrated photonics group, has acquired Prodomax Automation Ltd., a Canadian company focused on machine integration and process automation in the automotive industry, from Kensington Capital Partners Ltd., a leading Canadian financial investor.
- JENOPTIK operates in the optics and life science, mobility, and defense & civil systems segments. The company's automotive unit is a major manufacturer of production metrology and 3D laser systems. The laser systems are integrated into customer production lines as part of their process optimization and automation. They machine plastics, metals and leather with maximum efficiency, precision and safety. The group has 3,700 employees and generated revenues of US\$880 million in 2017.
- Prodomax, founded in 1971 and headquartered in Ontario, Canada, employs approximately 180 people and is specialized in process automation for the automotive industry. Prodomax plans and designs automated production lines and further integrates them into the customer's manufacturing environment. These include system layout, simulation, hardware control and software design, robotic handling systems and transfer devices.
- With this transaction, JENOPTIK strengthens its position as a full-service turnkey provider of complex automated manufacturing solutions, following the acquisition in 2017 of Five Lakes Automation (FLA). Like FLA, Prodomax will be integrated into the group's global laser processing business and will benefit from JENOPTIK's worldwide presence and financial strength.



What our client said



Stefan Traeger, President and CEO of JENOPTIK AG, Germany

"With the acquisition of Prodomax and our expertise in laser material processing, we have taken a huge step towards becoming an integrated provider of advanced manufacturing environments."



Our role in the transaction

Oaklins' industry specialist teams in Germany, the USA and Canada identified potential targets and advised JENOPTIK throughout this transaction, which is the result of an in-depth target screening. Out of a target universe of 91 companies, Oaklins' teams first advised JENOPTIK on the acquisition of Five Lakes Automation in 2017, while maintaining close contact with Prodomax. A year later, they successfully guided JENOPTIK through closing with Prodomax in a one-on-one process with the seller, a leading Canadian financial investor.

Market trends and deal drivers

- JENOPTIK's acquisition of process automation and process control capabilities follows the Industry 4.0 trend.
- The North American automotive industry is growing. As a result, this transaction is also part of a bid to expand in this market.
- Production lines have to be renewed frequently as product life cycles in the automotive industry are getting shorter.
- Industrial customers' margins are declining and labor costs, especially in low-wage countries, are increasing, so the demand for industrial machinery and highly-engineered automation processes is growing globally.

M&A valuation aspects

- JENOPTIK has acquired Prodomax for a consideration of around 7x expected 2018 EBITDA.
- In addition to the negotiated terms, Prodomax expects significant added value from JENOPTIK's extensive expertise in efficient, precise and safe 3D laser processing, a technology that becomes ever more important in automated manufacturing environments.
- Valuations in the automation space are expected to increase further and, depending on the player's specific capabilities and specialization, can reach above average EBITDA multiples of 10–12x.

Oaklins industry specialist



✉ Hans Bethge, Managing Partner, Oaklins, Germany

Hans is particularly focused on cross-border transactions. He has advised many clients in the industrial machinery and components and automotive sectors. Besides JENOPTIK, notable clients he has advised include DETECH Fahrzeugentwicklung, LORD Corporation, ebm-papst Mulfingen GmbH&Co. KG and QuEST Global Services Pte. Ltd.

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