

## Divestitures Quarterly Update

Q1 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<sup>(1)</sup>. Deloitte closed 704 deals in 2022 with a cumulative deal value of \$53.4B.

704

Completed deals in 2022<sup>(1)</sup>.

- 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<sup>(1)</sup>.

**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<sup>(1)</sup>



### Transaction Volume

Divestiture transaction volume increased in Q1 2023 compared to Q4 2022. Number of deals jumped to 286 in Q1 2023 compared to 249 in Q4 2022, an increase of 14.9% QoQ, while overall M&A activity was down by 5.8%, due to high inflation, and rising interest rates.



### Transaction Size

Middle-market deals witnessed significant growth in Q1 2023, with deals less than \$250 million making up 71.4% compared to 53.3% in Q4 2022. There was no disclosed transaction with a value in excess of \$5 billion.



### Acquiror Type

The mix of acquirors was largely consistent with previous quarters. In Q1 2023, 73.1% of the acquirors were domestic strategic, 1.7% private equity, and 25.1% foreign strategic acquirors.



### Industry Focus

Technology overtook Energy and Power in Q1 2023 as the leading sector for divestitures, making up 14% of all divestiture deals, followed by Health Care with 13.6% and Media and Entertainment with 12.2%.

*Middle-market transactions led the charge for an active quarter of divestiture deal activity in Q1 2023 despite slower results for M&A markets more broadly.*

## Regional trends<sup>(1)</sup>

### Americas

Divestiture activity in the Americas witnessed a 6.5% QoQ increase from Q4 2022 to Q1 2023. The Americas completed 229 transaction in Q1 2023 compared to 215 transactions in Q4 2022.

#### United States

US-based buyers remain the most active acquirors in the Americas. The number of transactions originating in the US increased to 214 in Q1 2023 compared to 204 in Q4 2022.

#### Canada

Canada's deal volume increased 71.4% with 12 transactions completed in Q1 2023 compared to 7 in Q4 2022.

### Europe

Deal activity among European acquirors declined in Q1 2023 compared to Q4 2022 by 33.3%, likely driven by geopolitical unrest.

#### United Kingdom

UK-based acquirors continue to be one of the most active European acquirors. The number of transactions increased to 5 in Q1 2023 compared to 3 in Q4 2022.

#### Netherlands

1 deal was closed in Q1 2023 compared to the 2 deals that closed in Q4 2022.

#### Switzerland

2 deals were closed in Sweden in Q1 2023 compared to 3 deals closed in Q4 2022.

### Asia

Divestiture activity in Asia witnessed a 120% QoQ increase from Q4 2022 to Q1 2023. Asian countries closed 11 deals in Q1 2023 compared to 5 deals in Q4 2022.

#### Japan

Japan completed 4 transaction in Q1 2023 compared to only 1 deal in Q4 2022.

#### Singapore

2 deals were closed in Singapore in Q1 2023 compared to 0 deals in Q4 2022.

#### Other Asian Countries





The deal activity in South Korea dropped from 2 in Q4 2022 to 0 in Q1 2023, whereas India remained flat with the same deal volume in Q1 2023.

*Divestiture activity declined in Europe with no deals in countries such as France, and Germany, whereas activity increased in the Americas and Asia with growth in deal volumes by 6.5% and 120% respectively.*

**Source:** (1) Please refer slide 12.

# Case study

## Interstate Wire Company, Inc. and Agave Wire Ltd.

Deal contacts	
Will Frame, Tony Blanchard	
<div> <b>INTERSTATEWIRE</b> INCORPORATED</div> <div> <b>AGAVE WIRE</b></div> <div><b>Interstate Wire Company, Inc., and Agave Wire Ltd.</b></div> <div><i>have been acquired by</i></div> <div> <b>COPPERWELD</b></div> <div><b>Copperweld Bimetallics, LLC</b></div> <div><i>The undersigned acted as exclusive financial advisor to Interstate Wire Company, Inc. and Agave Wire LTD.</i></div> <div> <b>Deloitte</b></div> <div><b>Deloitte Corporate Finance LLC</b></div>	<div><b>Client overview</b></div> <ul style="list-style-type: none"><li>▪ Interstate Wire Company, Inc. (Interstate) and Agave Wire Ltd. (Agave, collectively defined as the Company) together are a value-added distributor, designer, and producer of wire and cable, differentiated by low and medium volume capabilities, quality service, and customized products.</li><li>▪ Interstate specializes in lower-volume, specialty products within hook-up wire, multi-conductor cables, coaxial cables, portable cordage, flat cables, molded cable assemblies, and related wire management products.</li><li>▪ Agave is a medium-volume light manufacturer of electronic wire and cable focusing on transportation, electronics, and underground utilities applications.</li><li>▪ The two businesses benefit from four-wall synergies that drive attractive margins and customer retention.</li></ul> <div><b>Situation overview</b></div> <ul style="list-style-type: none"><li>▪ The Company engaged Deloitte Corporate Finance LLC (DCF) to leverage its experience in the wire and cable industry, find a partner that would be able to facilitate rapid growth and provide shareholder liquidity.</li><li>▪ The sole shareholder wished to fully exit the business and position upper management on an incentivized growth trajectory.</li></ul> <div><b>DCF's role</b></div> <ul style="list-style-type: none"><li>▪ DCF added significant value by:<ul style="list-style-type: none"><li>— Developing detailed marketing materials and analysis to clearly highlight the Company's differentiated business model and four-wall synergy opportunity.</li><li>— Running a highly targeted and competitive marketing process to achieve bids within the sole shareholder's value expectations.</li><li>— Assisting the Company's decision makers in selecting a partner that met key transaction objectives.</li><li>— Managing an expedited due diligence process and assisting the Company with negotiating an attractive valuation despite a volatile raw material price environment.</li></ul></li></ul>

*Note: Prior engagement performance is no guarantee of future performance and may not be representative of the experience of other clients. This communication is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security.*



# 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 drive results and provide differentiated insights for our clients.



Be Empowered



Pay It Forward



Be Resourceful



Build Knowledge

## Recent insights



# Recent middle-market divestitures<sup>(1)</sup>

## Consumer

### Post acquires Pet Food Business from J.M. Smucker

**Announced date:** February 2023

**Total Transaction Value:** \$1,200 million

#### **Post Holdings, Inc. acquires Pet Food Business from J.M. Smucker Co.**

- Post Holdings, Inc., which operates as a consumer-packaged goods holding co., entered into an agreement to acquire Pet Food Business of J.M. Smucker Co. for approximately \$1,200 million. The Pet Food Business includes leading dog and cat food brands such as Rachael Ray® Nutrish®, Nature's Recipe®, 9Lives®, Kibbles 'n Bits® and Gravy Train®. J.M. Smucker Co., which engages in the manufacture and marketing of branded food products.

## Energy & Power

### Diversified Energy acquires assets from Tanos Energy

**Announced Date:** February 2023

**Total Transaction Value:** \$250 million

#### **Diversified Energy Company PLC acquires certain upstream assets from Tanos Energy Holdings II LLC**

- Diversified Energy Company PLC, which operates as an independent owner and operator of producing natural gas and oil wells, entered into an agreement to acquire certain upstream assets and related infrastructure from Tanos Energy Holdings II LLC for approximately \$250 million. Tanos Energy II, LLC, which provides oil and gas contract drilling and support services.

## Financials

### Flagstar Bank acquires assets of Signature Bridge Bank

**Announced Date:** March 2023

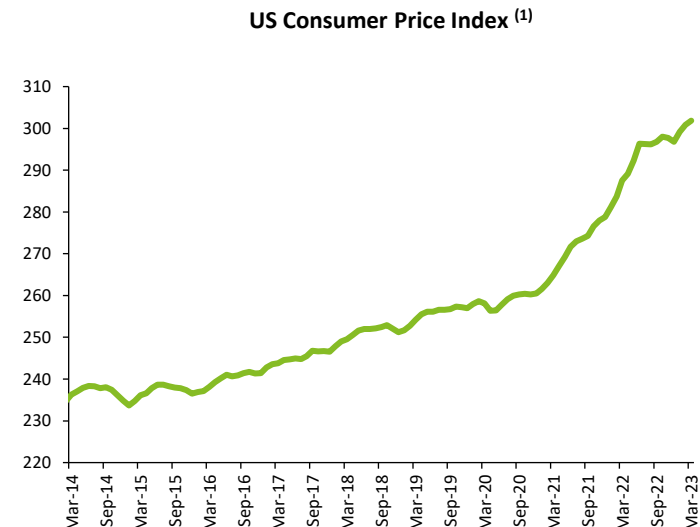
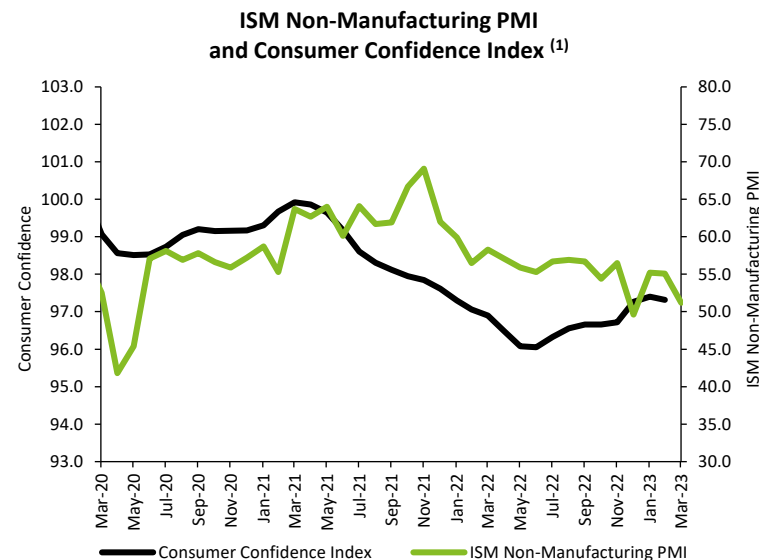
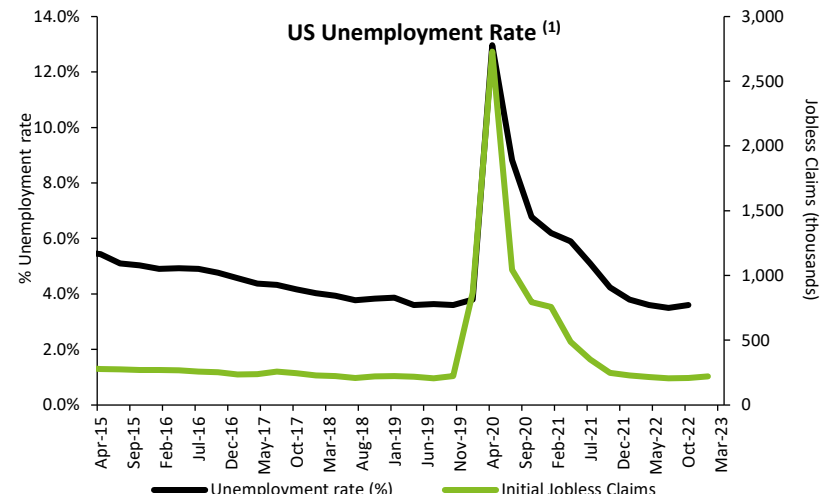
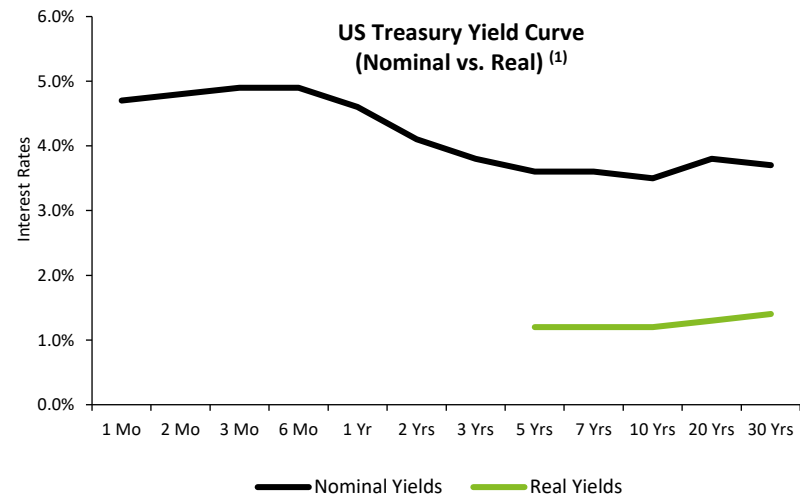
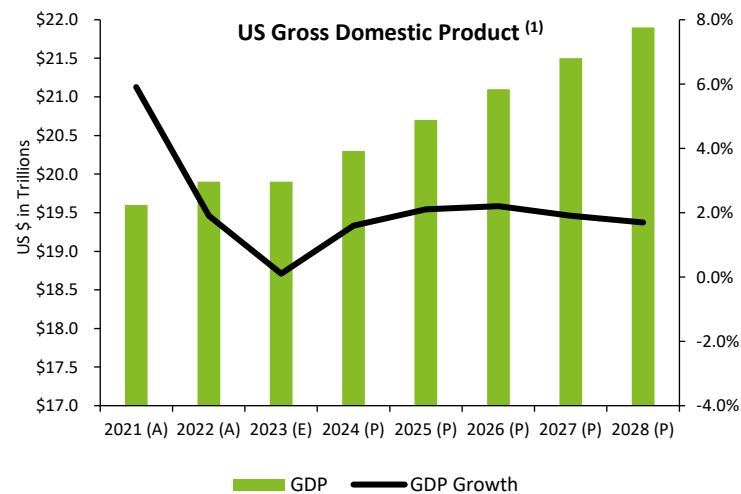
**Total Transaction Value:** \$900 million

#### **Flagstar Bank, National Association acquires Signature Bridge Bank, National Association**

- Flagstar Bank S.A., entered into an agreement to acquire Signature Bridge Bank for approximately \$900 million. Flagstar Bank, N.A., a bank, which offers demand deposits and non-interest-bearing time and savings deposits. Signature Bridge Bank, which operates as a full-service commercial bank.

**Source:** (1) Please refer slide 12.

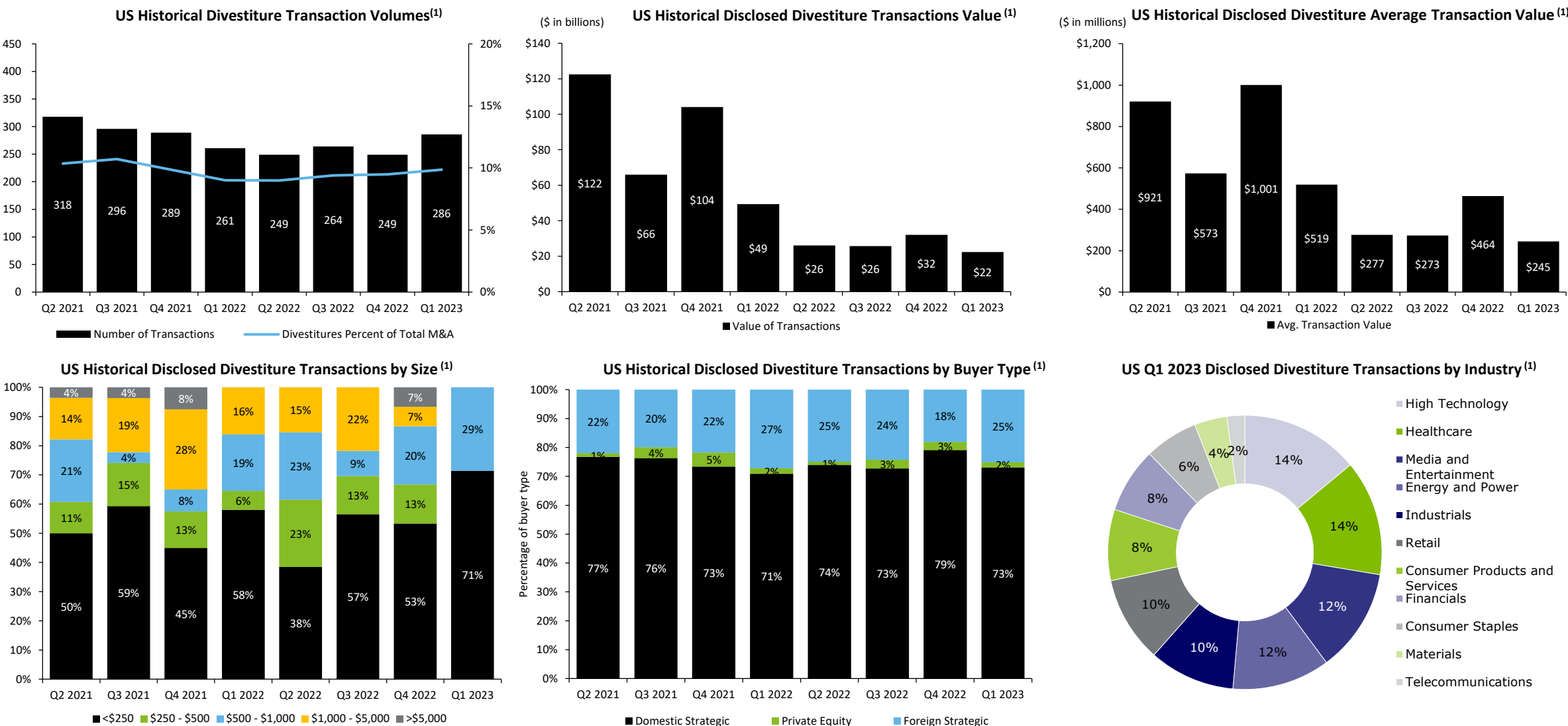
# Macroeconomic outlook



Source: (1) Please refer slide 12.



# Historical divestitures of US-based targets



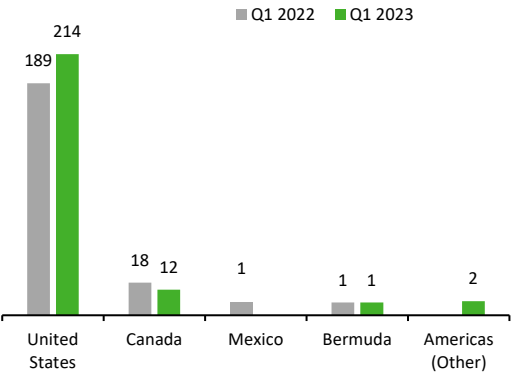
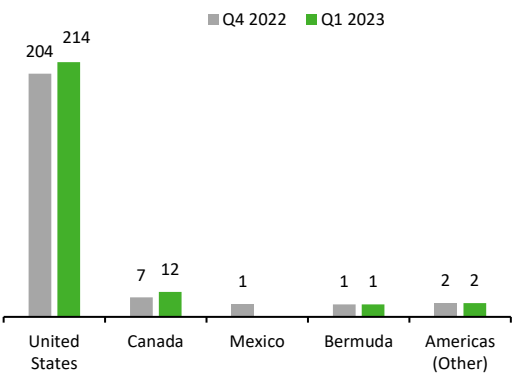
# Global divestitures of US-based targets – deal volume analysis

## Most active acquiror countries by region<sup>(1)</sup>

### Americas

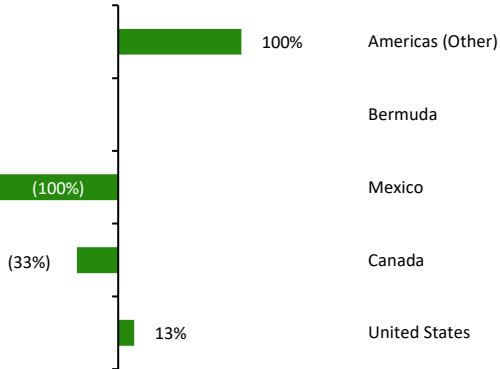
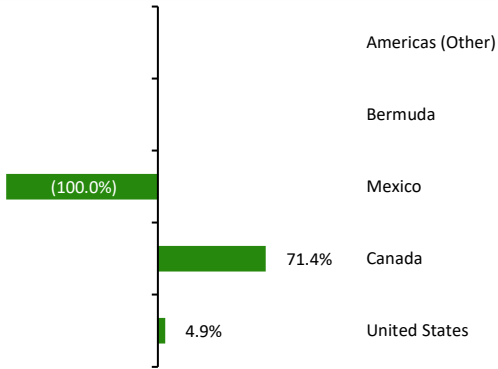
Deal volumes – Q1 2023 vs Q4 2022

Deal volumes – Q1 2023 vs Q1 2022



Deal volume % change – Q1 2023 vs Q4 2022

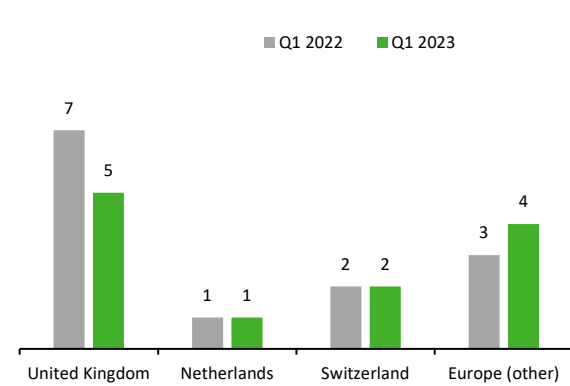
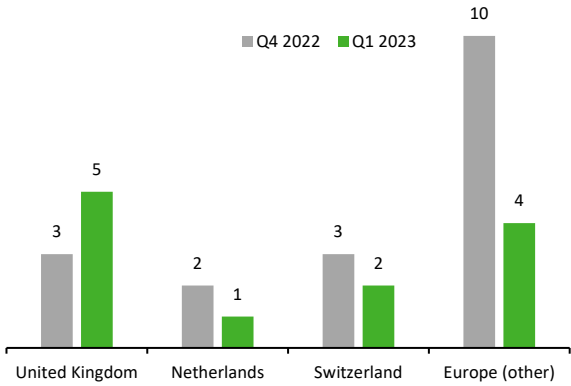
Deal volume % change – Q1 2023 vs Q1 2022



### Europe

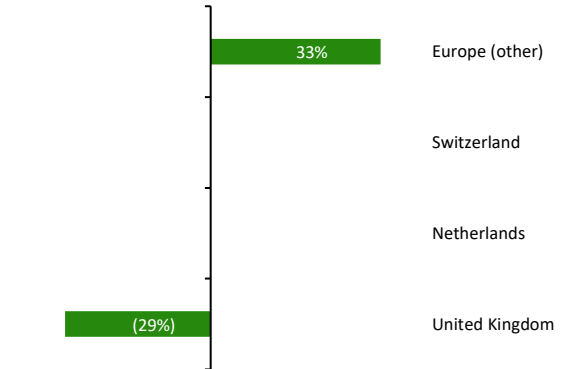
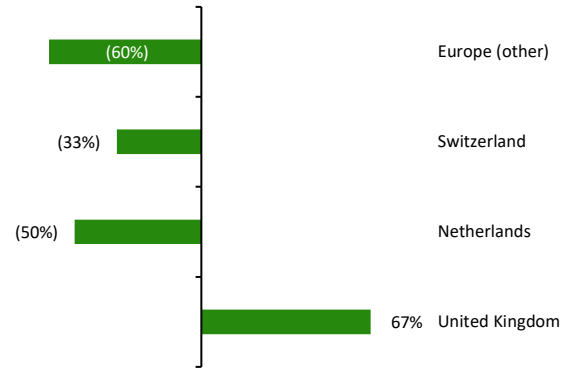
Deal volumes – Q1 2023 vs Q4 2022

Deal volumes – Q1 2023 vs Q1 2022



Deal volume % Change – Q1 2023 vs Q4 2022

Deal volume % Change – Q1 2023 vs Q1 2022



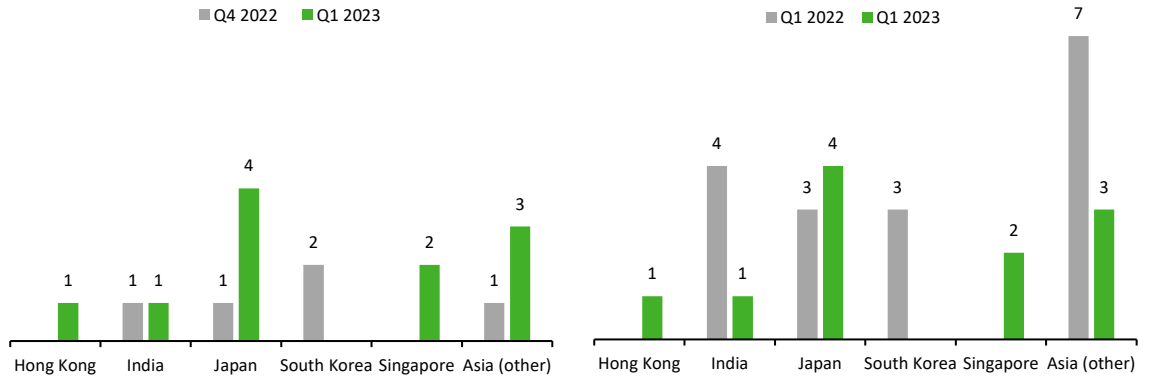
Source: (1) Please refer slide 12.  
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# Global divestitures of US-based targets – deal volume analysis (cont.)

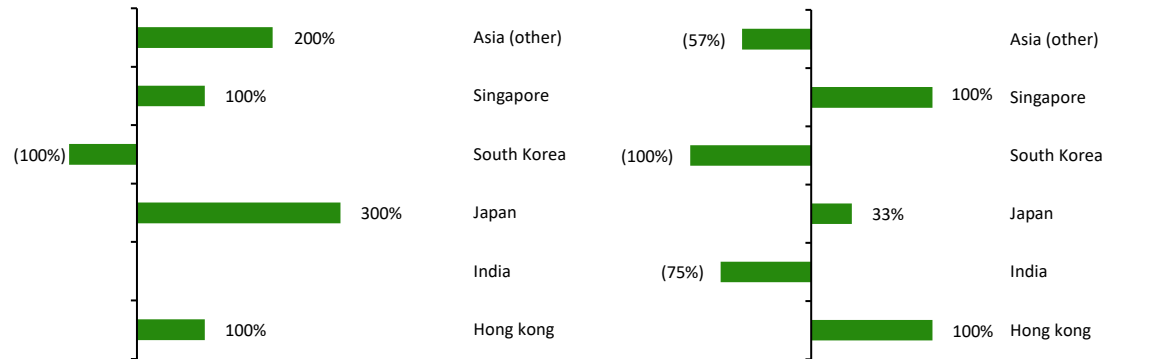
## Most active acquiror countries by region<sup>(1)</sup>

### Asia

Deal volumes – Q1 2023 vs Q4 2022      Deal volumes – Q1 2023 vs Q1 2022

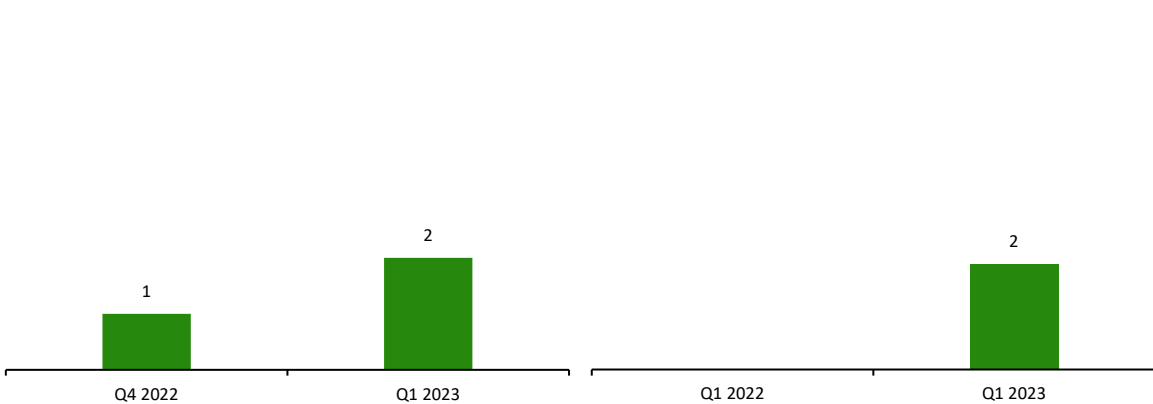


Deal volume % change – Q1 2023 vs Q4 2022      Deal volume % change – Q1 2023 vs Q1 2022



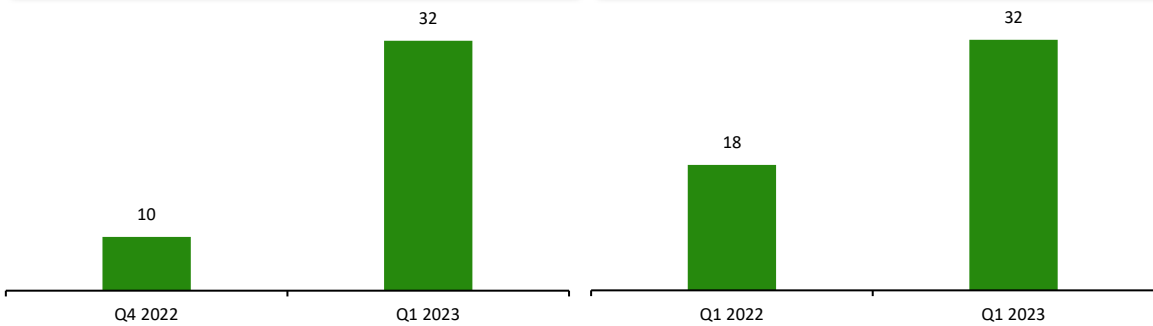
### Rest of the world

Deal volumes – Q1 2023 vs Q4 2022      Deal volumes – Q1 2023 vs Q1 2022



### Undisclosed acquirors

Deal volumes – Q1 2023 vs Q4 2022      Deal volumes – Q1 2023 vs Q1 2022



Source: (1) Please refer slide 12.  
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# Appendix

## Sources cited

### Page 2:

1. [Mergermarket](#). Accessed April 12, 2023. Data as of March 31, 2023.

### Page 4:

1. [Refinitiv](#). Accessed April 12, 2023. Data as of March 31, 2023.

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  - b. [Mergermarket](#). Accessed April 12, 2023. Data as of March 31, 2023.
  - c. [Refinitiv](#). Accessed April 12, 2023. Data as of March 31, 2023.

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  - b. [Refinitiv](#). Accessed April 12, 2023. Data as of March 31, 2023.





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