

## Divestitures Quarterly Update

Q4 2021



# 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**

2020 Global M&A  
Advisor by deals  
completed <sup>(1)</sup>.

**487**

Completed deals  
in 2020.

- Deep relationships in place to gain **critical strategic intelligence** and effectively market businesses.
- Worldwide, DCF has access to **2,400 Corporate Finance professionals** across 60 countries that complement the North American team.
- **Top global middle-market financial advisor** in 2020 according to Mergermarket<sup>(1)</sup>.

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

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
- Crossborder divestitures activity



## Overall trends

- Q4 2021 divestiture activity largely remained consistent with Q3 2021. Transaction volume slightly slowed with volumes declining to 649 deals compared to 690 in Q3 2021. Transaction sizes shifted slightly toward smaller deals with transactions above \$1 billion in enterprise value declining from 43% of total deals in Q3 2021 to 36% in Q4. Transaction multiples followed suit, as deals with a multiple range of 15x – 25x made up 12.5% of transactions, down from 20.0% in Q3 2021. Transaction multiples between 5x-10x remained constant at 50% of total divestitures in Q4 2021. The mix of acquirors was proportionately consistent with previous quarters in Q4 2021, with 52% domestic strategic acquirors, 38% private equity acquirors, and 10% foreign strategic acquirors. Industrials overtook technology in Q4 2021 as the leading sector for divestitures, making up 16% of all divestiture transactions, up from 13% in Q3 2021. Overall, robust M&A and divestiture activity is expected to continue in Q1 2022, with divestitures remaining a key strategic tool for companies navigating continuously evolving business environments.

## Global trends

- European acquirors led overseas activity in Q4 2021 with 55 transactions completed, a 19.6% increase over Q3 2021. The United Kingdom continues to be the most active European acquiror with 16 transactions completed. Notably, Sweden and Switzerland experienced significant growth over the previous quarter by adding 4 deals each, up from 4 deals and 2 deals, respectively. Divestiture activity in the Americas declined 6.7% from 596 deals in Q3 2021 to 556 deals in Q4 2021. The United States remains the most active acquiror with 521 transactions completed followed by Canada with 30 deals completed in Q4 2021. Deal flow in Asia remained relatively flat with 13 transactions completed in Q4 2021 compared to 14 in the previous quarter. Japan led the region and continued its upward trend with 4 deals completed in Q4 2021, up from 3 deals in Q3 and 2 deals in Q2 2021. Other typically acquisitive Asian countries trended downward in deal count; South Korean acquirors completed 2 deals, Indian acquirors completed 1 deal, and Chinese acquirors did not complete a deal. As a whole, global divestiture activity appears to have stabilized in 2021 from previous pandemic-driven volatility.

## Case study

### Komatsu Ltd.

## Deal contacts

Will Frame, Tony Blanchard



**Komatsu Ltd.**

*has divested its US and  
Australian-based conveying  
businesses to*



**Stellex Capital Management LLC**

*The undersigned acted as  
exclusive financial advisor to  
Komatsu Ltd.*



## Client overview

- Deloitte Corporate Finance LLC (DCF) advised Komatsu Ltd. (Komatsu) on the carve out of its US and Australian-based conveying businesses (collectively, the Business). The Business is a leading designer and manufacturer of material handling conveyor systems and components used in a variety of end markets:
  - The Business specializes in creating conveyor systems for underground mining, surface mining, tunneling, and aggregates ports and processing projects and operates as an end-to-end solutions provider across the globe, penetrating European, American, and Southeast Asian markets.

## Situation overview

- Komatsu engaged DCF to evaluate market alternatives and the prospect of a divestiture of their global conveyor manufacturing businesses.
- Additionally, Deloitte M&A Transaction Services assisted Komatsu with its preparation of carve-out financials

## DCF's Role

- DCF added significant value by:
  - Developing a comprehensive and cohesive set of marketing materials which consolidated multiple disparate global businesses while clearly highlighting the Business’ primary investment merits and growth opportunities.
  - Running a highly competitive marketing process, yielding numerous indications of interest and letters of intent from international and domestic strategics, as well as financial acquirors.
  - Managing an extensive diligence process, as well as advising Komatsu on negotiating a complex transaction structure.

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

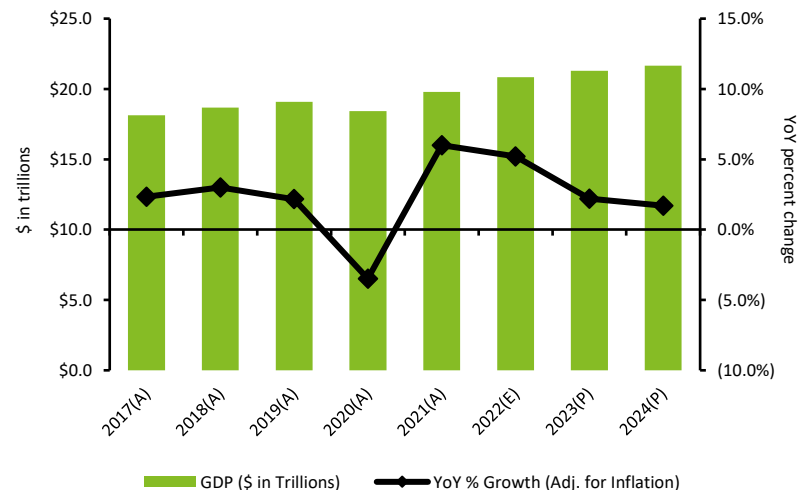


## Recent middle-market divestitures<sup>(1)</sup>

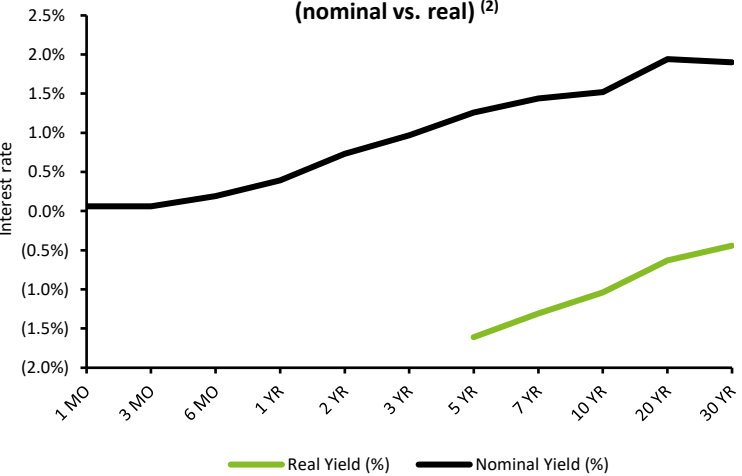
<b>Technology</b> 	<b>J2 Global, Inc. spins-off its cloud-based solutions business</b> <ul style="list-style-type: none"> <li>J2 Global Inc, a US based provider of cloud-based communication solutions and telecommunication services, is to separate into two publicly-traded companies by spinning of at least an 80.1% stake in Consensus. The spun-off company is to be Consensus Cloud Solutions Inc., which provides information delivery services with a software-as-a-service platform worldwide.</li> </ul>	<b>Announced Date:</b> October 2021 <b>Total Transaction Value:</b> \$760 million
<b>Chemical</b> 	<b>Eastman Chemical Company divests adhesive resin assets to Synthomer plc</b> <ul style="list-style-type: none"> <li>Synthomer plc, a United Kingdom based manufacturer of specialty chemicals and building products, is to acquire the adhesives resins assets and business of Eastman Chemical Co, a US-based manufacturer of diversified chemicals including adhesives, coatings, fibers and plastic chemicals.</li> </ul>	<b>Announced Date:</b> October 2021 <b>Total Transaction Value:</b> \$1,000 million
<b>Consumer</b> 	<b>The Hershey Company agrees to purchase Pretzels, Inc. from Peak Rock Capital LLC</b> <ul style="list-style-type: none"> <li>Hershey Co, a US-based manufacturer of chocolate and nonchocolate confectionery and grocery products, has signed an agreement to acquire Pretzels Inc., a provider of pretzel sticks, from private equity firm Peak Rock Capital LLC. Pretzels Inc. expands Hershey's production capabilities in the salty snack category.</li> </ul>	<b>Announced date:</b> November 2021 <b>Total Transaction Value:</b> \$600 million
<b>Energy</b> 	<b>NextEra Energy Resources, LLC divests 50% of its renewable assets to Ontario Teachers' Pension Plan</b> <ul style="list-style-type: none"> <li>Ontario Teachers Pension Plan, a Canada-based pension fund, is to acquire 50% of a 2,520-megawatts portfolio of 13 high-quality, long-term contracted renewable assets from NextEra Energy Inc, a US-based utility holding company owning subsidiaries engaged in the generation, transmission, distribution, and sales of electric energy.</li> </ul>	<b>Announced Date:</b> November 2021 <b>Total Transaction Value:</b> \$849 million
<b>Pharmaceutical</b> 	<b>Sebela Pharmaceuticals, Inc. acquires Tegoprazan drug rights from HK Inno.N Corp</b> <ul style="list-style-type: none"> <li>Sebela Pharmaceuticals Inc, a US-based developer of prescription pharmaceutical products for patients and providers within the health care community, through its subsidiary Braintree Laboratories Inc, has acquired Tegoprazan drug rights of HK Inno.N Corp, a South Korean listed manufacturer of pharmaceutical products.</li> </ul>	<b>Announced Date:</b> December 2021 <b>Total Transaction Value:</b> \$540 million
<b>Industrial</b> 	<b>Nucor Corporation agrees to purchase 51% of California Steel Industries, Inc. from Vale SA</b> <ul style="list-style-type: none"> <li>Nucor Corporation, a US-based manufacturer of primary steel sheets, beams, and structured steel products is to acquire 51% of California Steel Industries Inc, a local importer and purchaser of slab steel from Vale SA, a Brazil-based natural resources and iron ore mining group.</li> </ul>	<b>Announced Date:</b> December 2021 <b>Total Transaction Value:</b> \$408 million

# Macroeconomic outlook

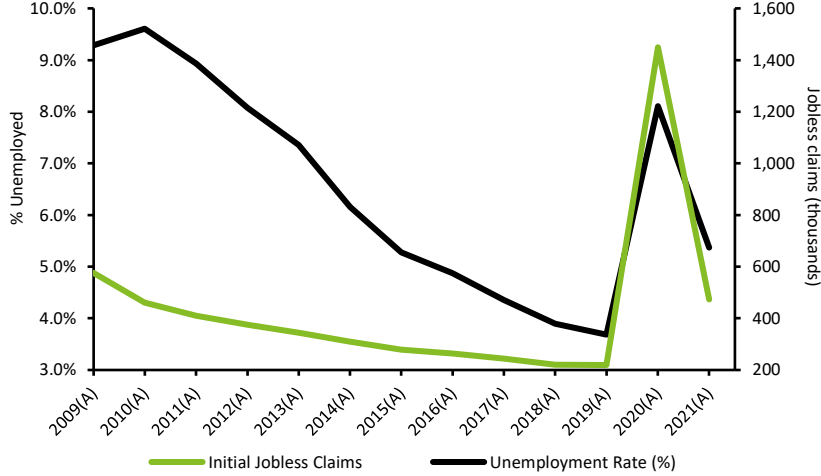
US gross domestic product <sup>(1)</sup>



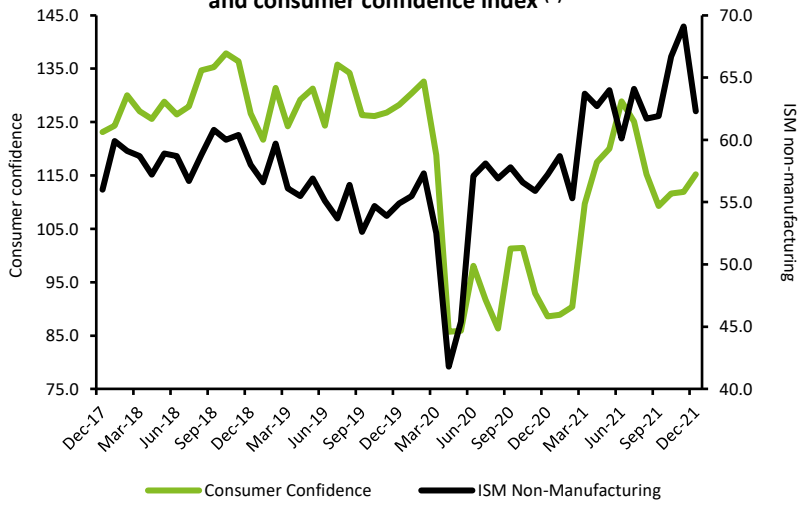
US treasury yield curve (nominal vs. real) <sup>(2)</sup>



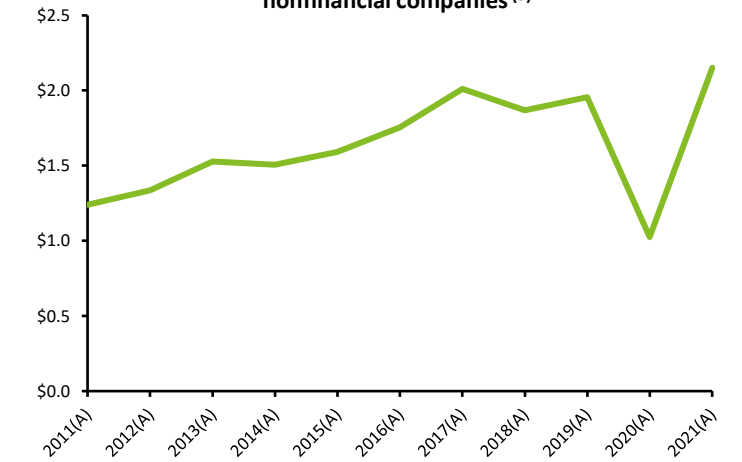
US unemployment rate <sup>(3)</sup>



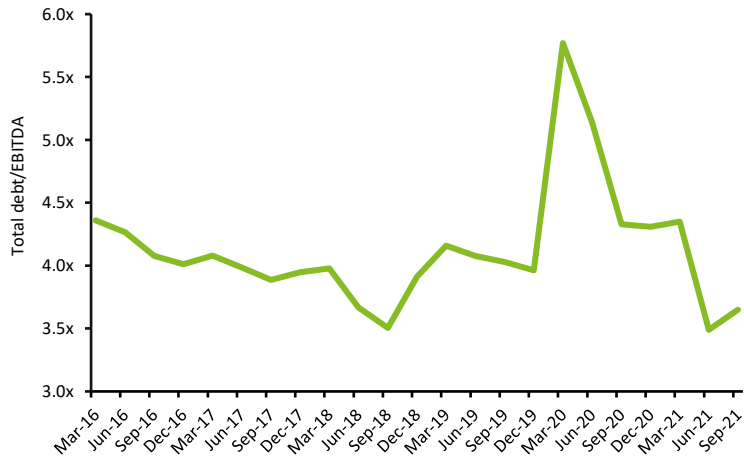
ISM non-manufacturing index and consumer confidence index <sup>(4)</sup>



US corporate cash stockpiles of nonfinancial companies <sup>(5)</sup>



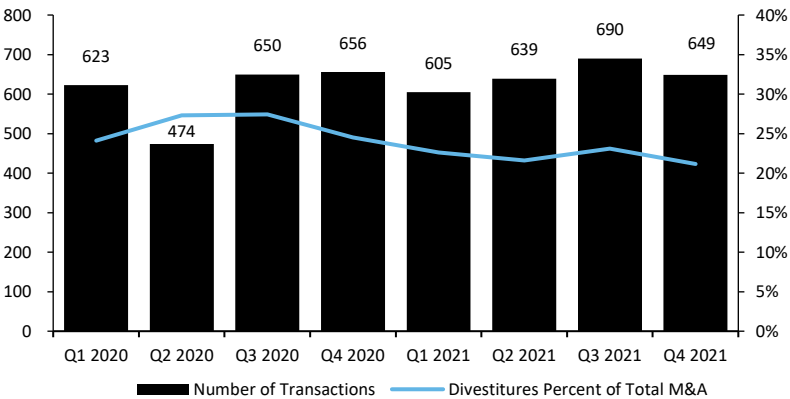
S&P 500 debt/EBITDA level <sup>(6)</sup>



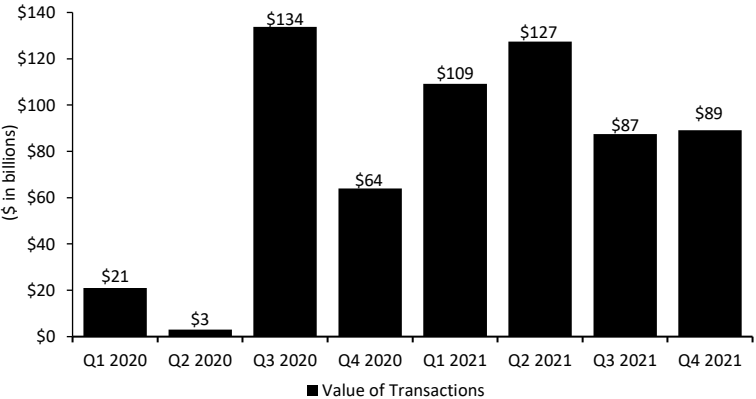


# US historical divestitures <sup>(1)</sup>

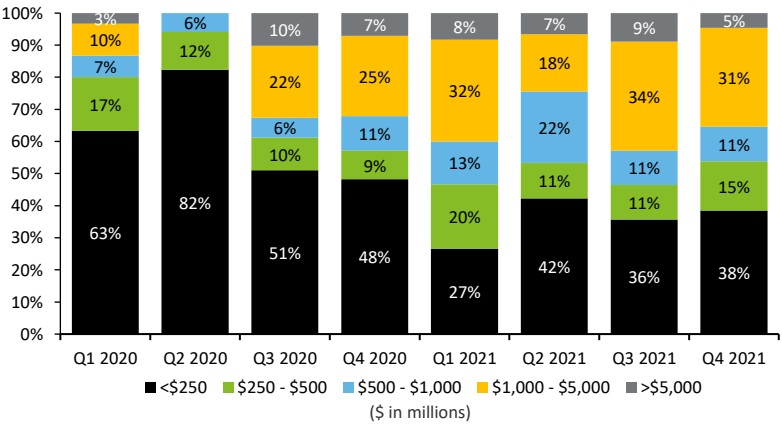
US historical divestiture transaction volumes



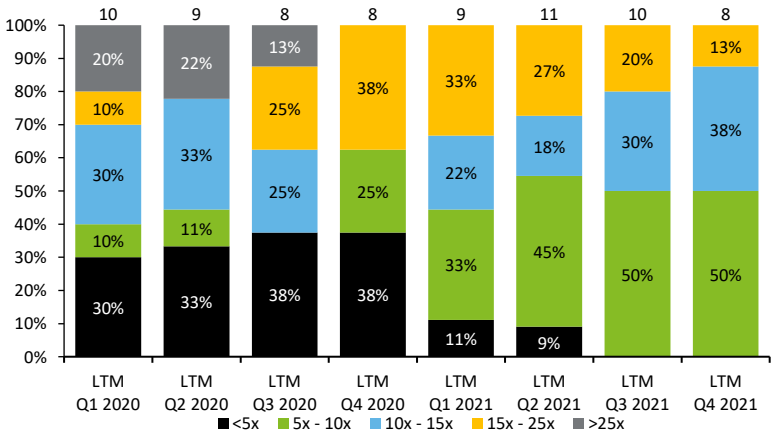
US historical disclosed divestiture transactions value



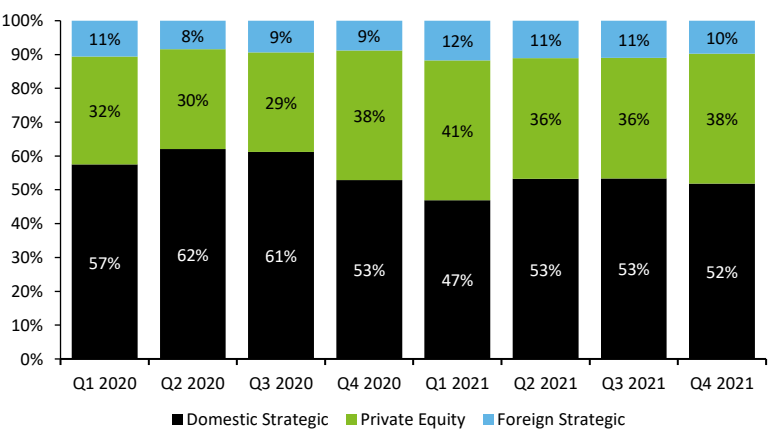
US historical disclosed divestiture transactions by size



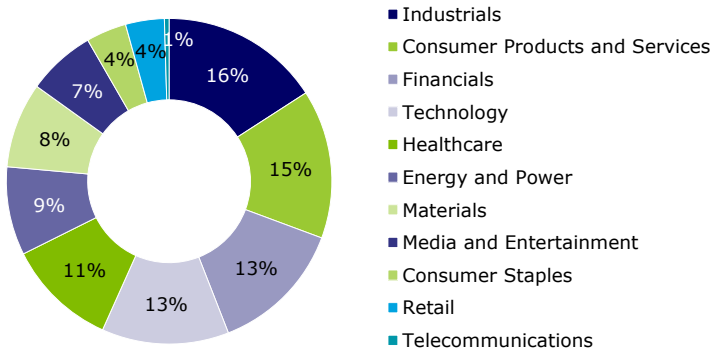
US historical disclosed divestiture transactions multiples



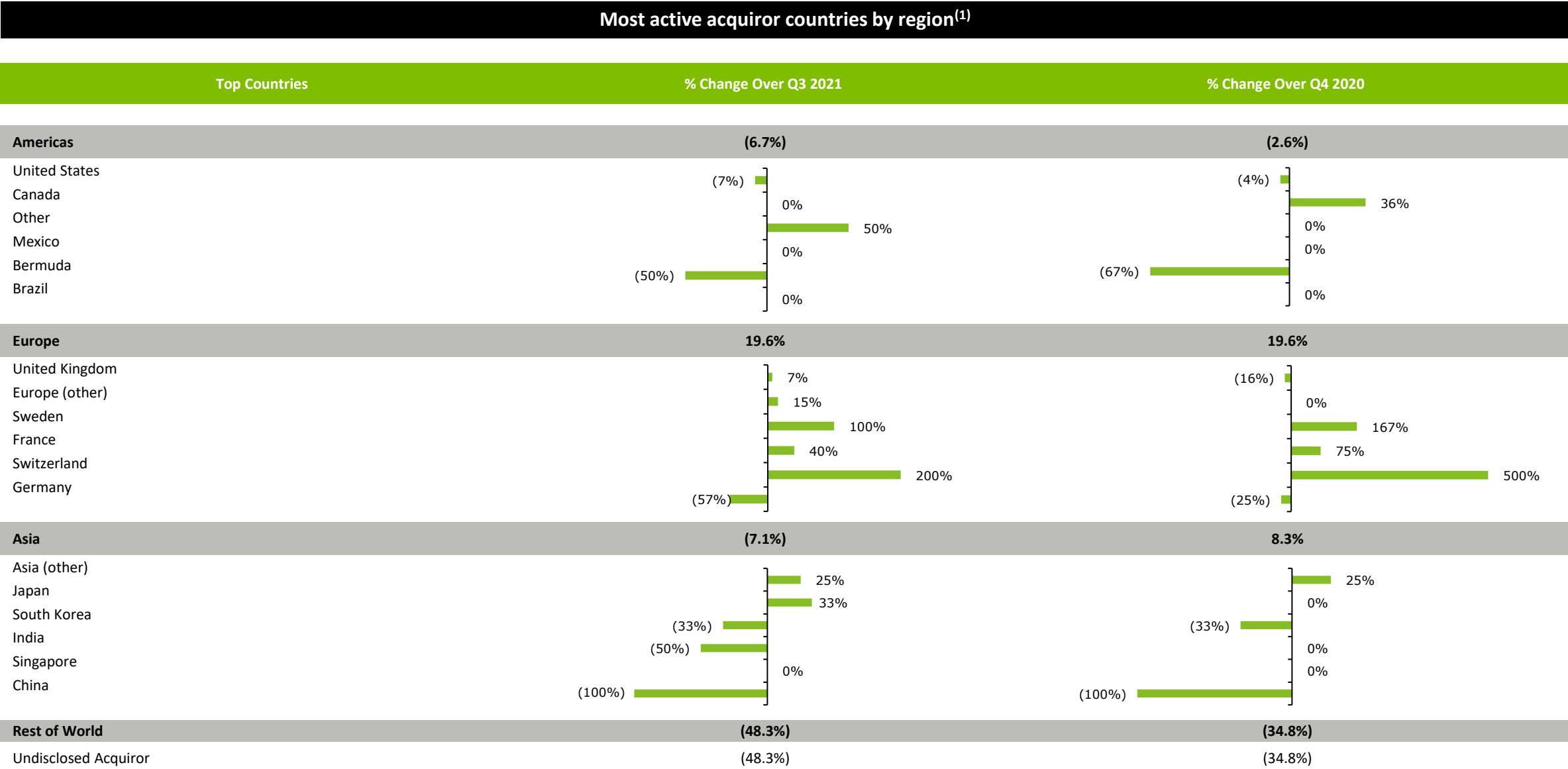
US historical disclosed divestiture transactions by buyer type



US Q4 2021 disclosed divestiture transactions by industry



# Global divestitures



# Appendix

## Sources cited

### Page 2:

1. [Mergermarket](#). Accessed February 7, 2022. Data as of December 31, 2020.

### Page 4:

1. [Refinitiv](#). Accessed February 7, 2022. Data as of December 31, 2021.

### Page 7:

1. Relevant transactions announced in Q4, 2021.
  - a. [S&P Capital IQ](#). Accessed February 7, 2022. Data as of December 31, 2021.
  - b. [Mergermarket](#). Accessed February 7, 2022. Data as of December 31, 2021.

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1. [US Bureau of Economic Analysis](#). Accessed February 11, 2022. Data as of December 31, 2021.
2. [US Department of the Treasury](#). Accessed February 11, 2022. Data as of December 31, 2021.
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4. [S&P Capital IQ](#). Accessed February 11, 2022. Data as of December 31, 2021.
5. [Moody's Investors Services Inc.](#) Accessed February 11, 2022. Data as of December 31, 2021.
6. [S&P Capital IQ](#). Accessed February 11, 2022. Data as of September 31, 2021.

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1. [Refinitiv](#). Accessed February 7, 2022. Data as of December 31, 2021.

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1. Relevant transactions announced in Q4, 2021.
  - a. [S&P Capital IQ](#). Accessed February 7, 2022. Data as of December 31, 2021.
  - b. [Refinitiv](#). Accessed February 7, 2022. Data as of December 31, 2021.



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