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# Global Water Summit 2017

## Roundtable Discussion M&A Trends in Water

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# **HIGHLIGHTS** - In the first quarter of 2017, the 2,500<sup>th</sup> M&A water industry transaction has been completed, since 1 January 2000

Historical M&A Flows in Water



## HIGHLIGHTS – In the last twelve months;

- 💧 2016 lacked a “mega-deal” such as the \$13.8 billion Danaher-Pall deal, which resulted in a 70% decrease in the total transaction value compared to 2015.
- 💧 However, 218 water-related M&A transactions were completed in 2016, making it the sixth successive year of 200 transactions or more.
- 💧 Forterra made a big splash in the US with 6 acquisitions totaling >\$1bn (Bio Clean Environmental Services/Modular Wetland Systems, J&G Concrete Operations, Precast Concepts, Sherman-Dixie, U.S. Pipe, Royal Enterprises America)
- 💧 The major water-related M&A transactions in 2016 included:
  - ↳ Acquisition of Culligan by Advent International for \$915 million
  - ↳ Acquisition of Sensus by Xylem for \$1.7 billion
- 💧 2017 M&A transactions continue at pace, with a series of “mega-deals” announced that total \$12.5bn and alone will exceed the 2016 total transaction value by 27%
  - ↳ \$3.1 billion sale of Pentair’s valves and control business to Emerson
  - ↳ \$3.4 billion sale of GE Water to Suez
  - ↳ \$1.7 billion acquisition of Odebrecht Ambiental by Brookfield
  - ↳ \$4.3 billion acquisition of Clarcor by Parker-Hannifin



## TRENDS – In the last twelve months;

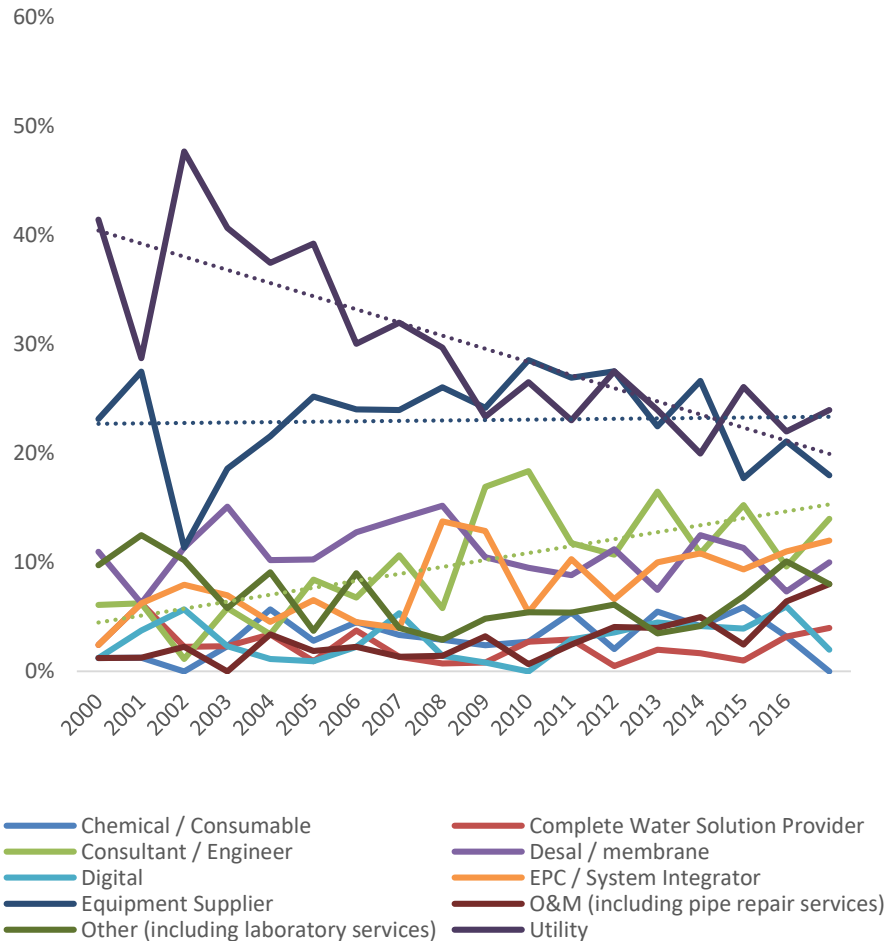
- 💧 Cross border M&A continued to increase and represented 31% of transactions in 2016. Foreign buyers remain keen to access:
  - ↳ Overseas markets
  - ↳ Construction and engineering services
  - ↳ Technology and equipment
- 💧 Strategic buyers continue to dominate water industry M&A completing 77% of the transactions in 2016, followed by Private Equity investors with 13%
- 💧 Digital and the opportunity to develop smart water solutions led to further consolidation in this rapidly growing sector with 13 transactions in 2016, including Xylem's acquisitions of Sensus and Visenti
- 💧 North America accounts for 50% of the acquisition targets followed by Europe 25% and APAC (ex. China) 21%
- 💧 North America accounts for 58% of the total number of acquirers followed by APAC (ex. China) 18%



# TRENDS – Who is being acquired?

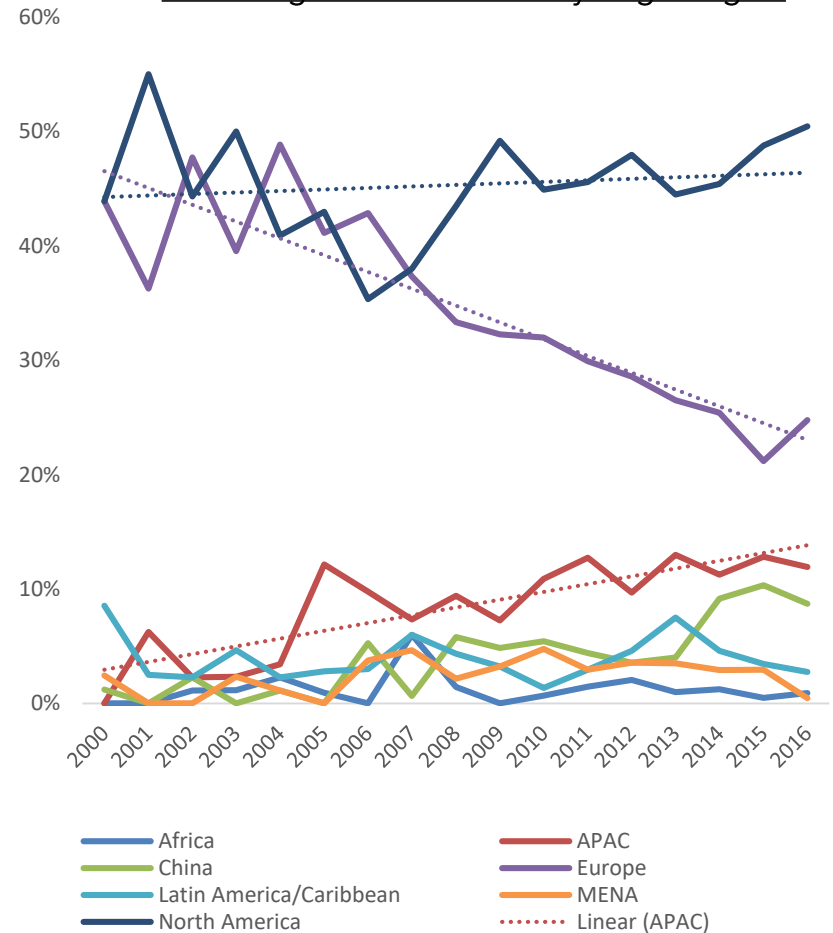
- Consultants and EPCs/System integrators are on the rise

Percentage of transactions by target type



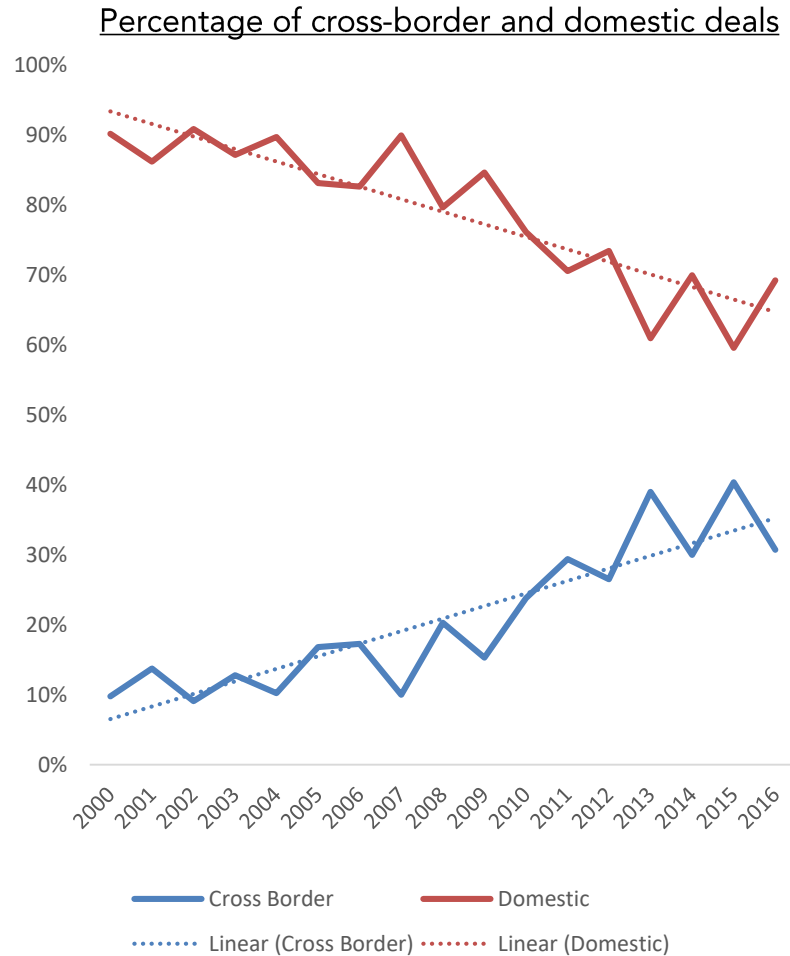
- Geographically, has Europe been “overfished”?

Percentage of transactions by target region

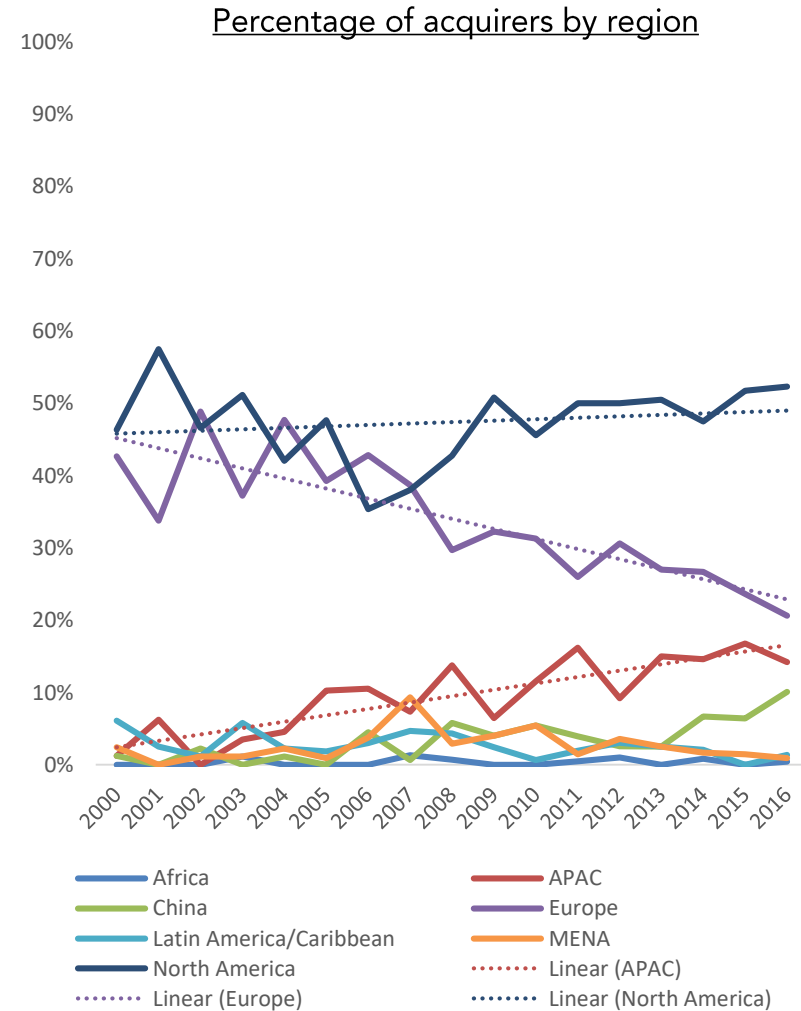


# TRENDS – Who is doing the buying?

- Cross-border transactions are progressively increasing

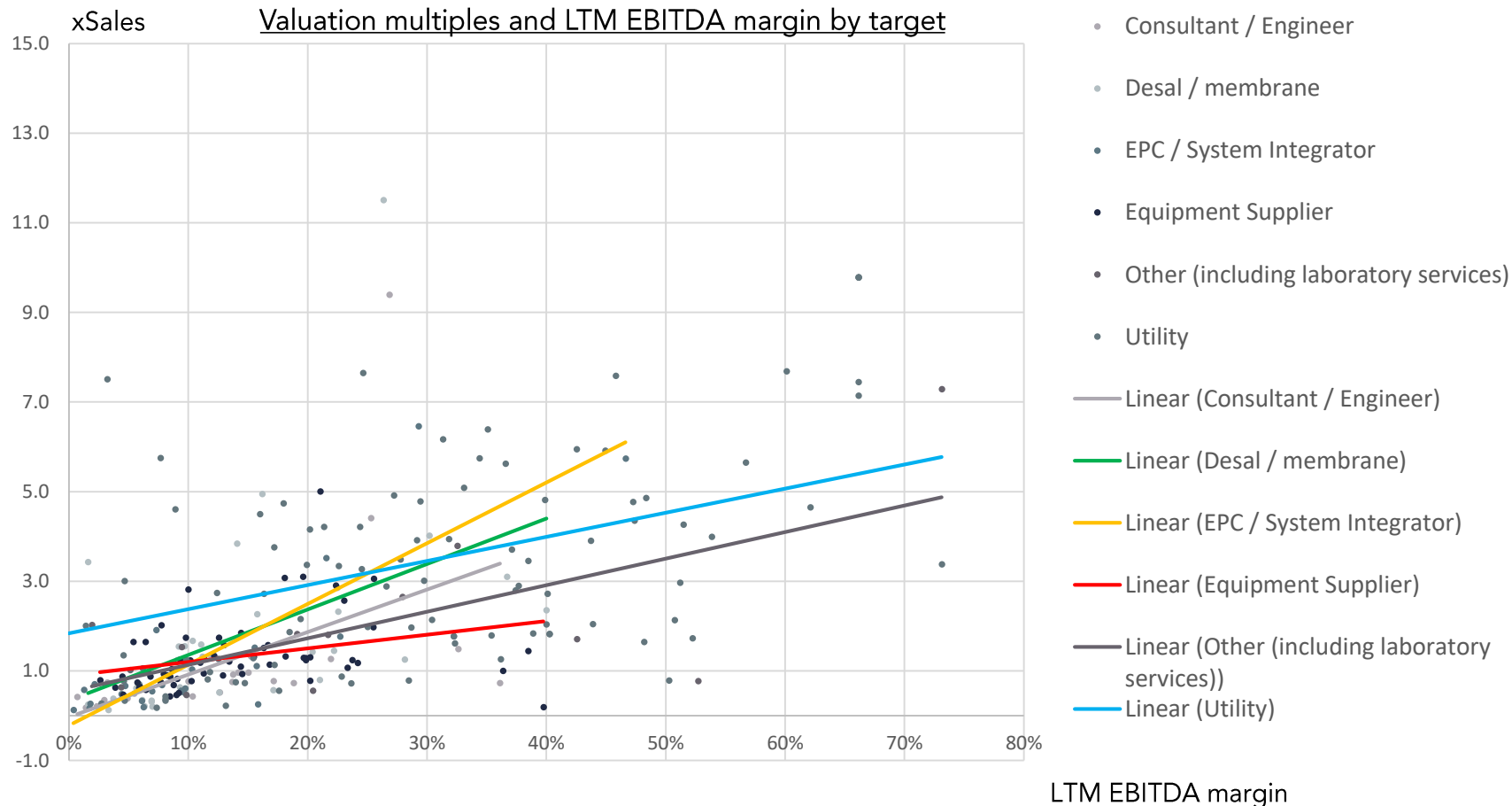


- North American buyers remain dominant



# VALUATIONS – Who is making the money? (Avg. all deals since 2000)

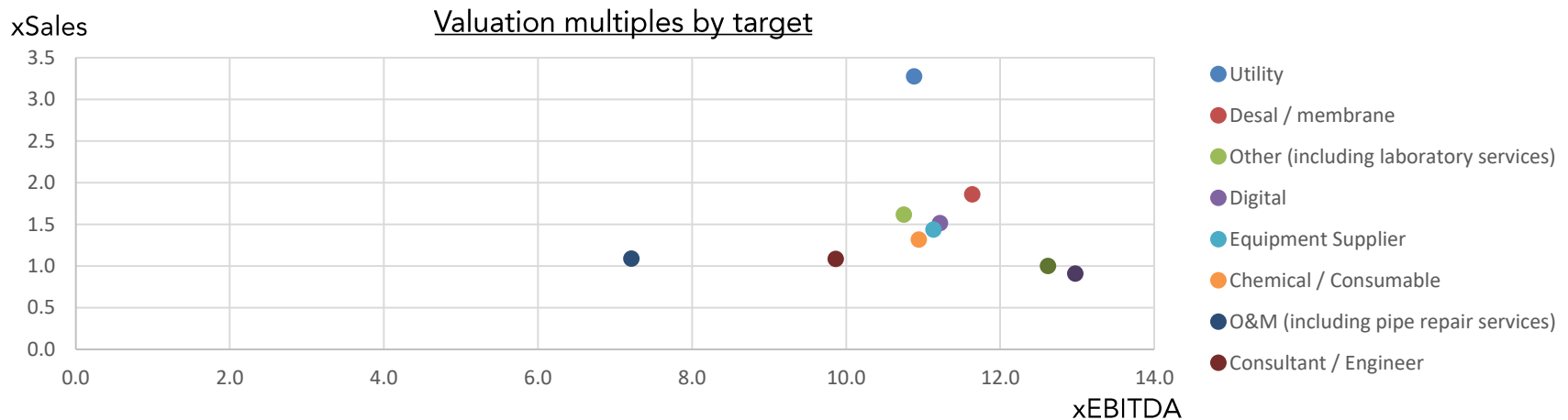
- EPC / System integrators with >30% EBITDA margin attract the highest multiples
- Underperforming Utilities attract a higher multiple than high-performing Equipment Suppliers



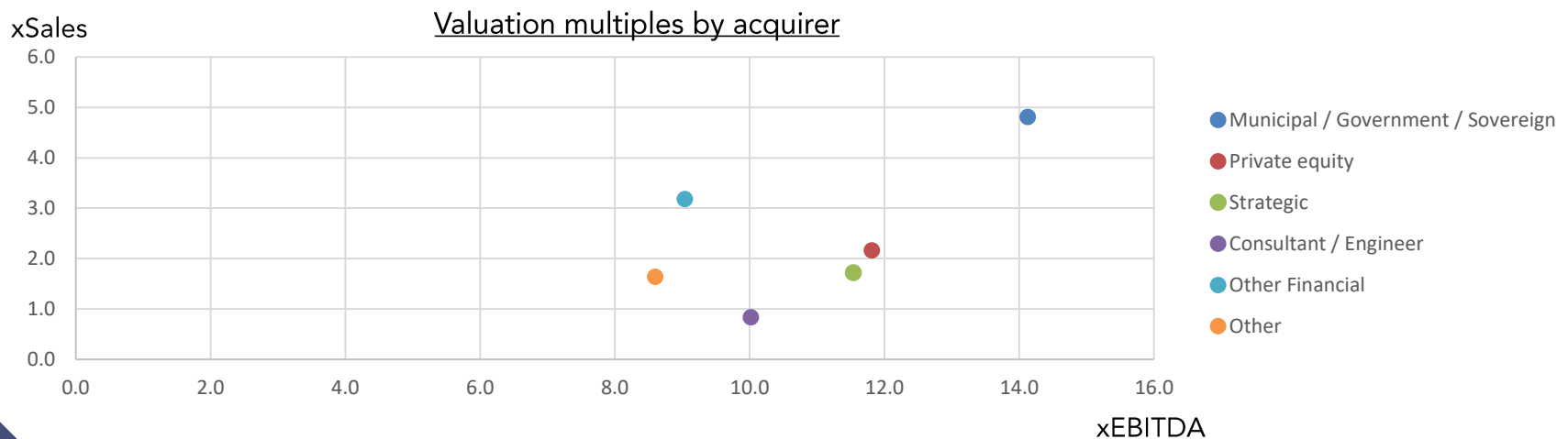


# VALUATIONS – What companies are attracting the highest multiples and who is paying the highest price? (Avg. all deals since 2000)

- Utilities are the highest valued companies

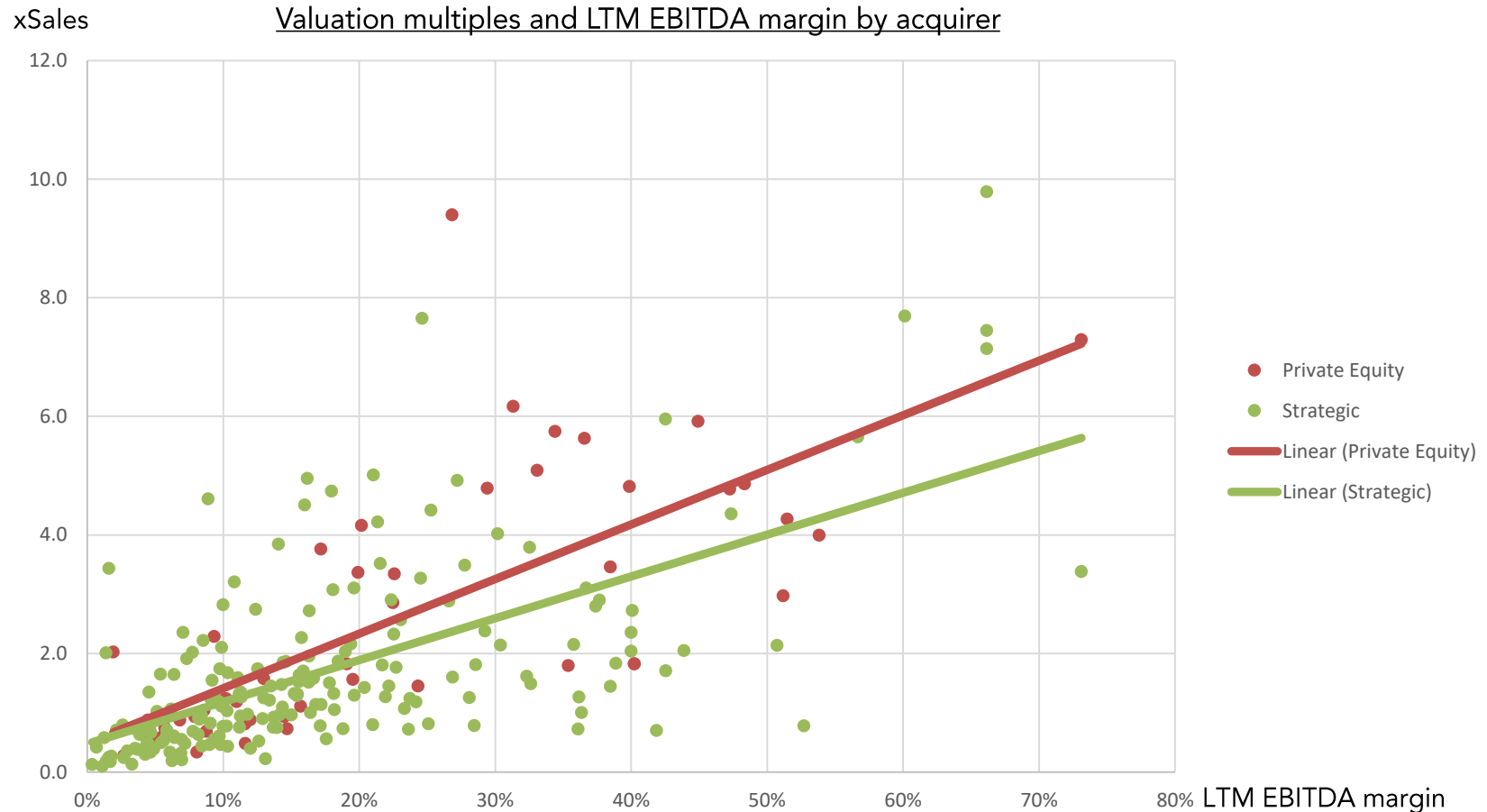


- Municipals, Governments and Sovereigns are paying the highest multiples





# VALUATIONS - Whilst strategic buyers are completing 75% of the deals, Private Equity acquirers consistently pay more



**FUTURE** - We expect 2017 to be a record year for transaction value with a number of large deals to look out for;

	Targets	Potential buyers	Expected deal value
Consultants		 SNC • LAVALIN	≈\$2.7bn
Equipment		IPO	≈\$2bn
Agriculture		US PE firm	≈\$1-1.5bn
Municipal		PE firm 	≈\$1bn



# Some of our M&A activities in the water industry thanks to our expertise, networks and global investor reach

 <p>Technology start-up</p> <p>Advisor to Investor</p>	 <p>Fund Raising</p>  <p>Advisor to Investor</p>	 <p>Fund Raising</p> <p>Sole Advisor</p>	 <p>IPO</p> <p>€22 000 000</p> <p>Market Advisor</p>	 <p>Sale</p>  <p>to</p>  <p>Advisor to seller</p>
 <p>Fund Raising</p> <p>Co-advisor</p>	 <p>Acquisition of UK Water Chemical Co.</p> <p>Buy—side advisor</p>	<p>Confidential acquirer</p>  <p>Buy—side advisor</p>	<p>Confidential acquirer</p>  <p>Buy—side advisor</p>	 <p>Acquisition of Water EPC UK/USA</p> <p>Advisor to the company</p>
<p>Kohlberg P.E.</p> <p>Acquisition</p>  <p>Advisor to the company</p>	 <p>Acquisition of Water Technology co.</p> <p>Advisor to the buyer</p>	 <p>Acquisition of Severn Trent Services Water Purification</p>  <p>Advisor to buyer</p>	 <p>Fund Raising</p>	<p>Confidential acquirer</p>  <p>Buy—side advisor</p>





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