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SECTOR SNAPSHOT



INDUSTRIALS M&A ACTIVITY AND VALUATIONS FOR H1 2016

M&A activity continues despite short term uncertainty

We were off to a good start...

The UK industrial sector saw a number of positive trends in the first half of the year. The EEF's 2016 Q2 Manufacturing Outlook survey, published before the referendum, indicated an improvement in output, employment and UK & export orders across the sector. Whilst confidence levels were not the highest we have ever seen, sentiment about the UK economy was at least holding steady.

Further to the EEF statistics, the increasing oil and steel prices were providing a much needed lift to two sectors which had experienced significant challenge throughout the supply chain in recent times.

We also saw a strong Purchasing Managers Index (PMI) result in June of 52.1 providing further evidence that market conditions were, to a certain degree, favourable. It is however worth noting that investment levels hadn't been rising, which perhaps was reflecting the true underlying uncertainty in the run up to the referendum.

But then...

On the 23rd of June 2016 the UK electorate voted to leave the EU, an outcome dreaded by many and one which has resulted in a number of knock on effects leaving a high degree of uncertainty across the sector.

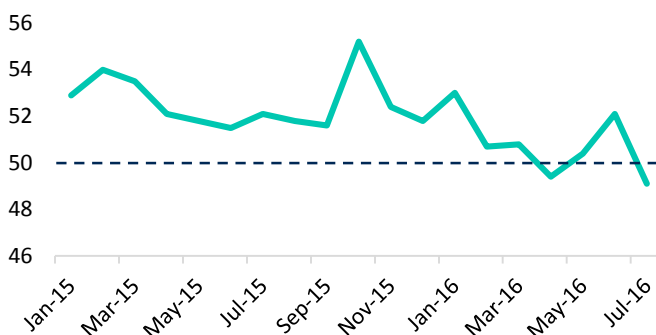
Fall in sterling....some winners some losers

The immediate fall in the value of the pound has divided opinion. Many were quick to point out that UK manufactured products had now just become cheaper for our international customers, however others pointed to the higher levels of input costs business and consumers would now suffer. As the UK economy is a net importer you would simplistically think that overall this is a negative trend for us, however from speaking to our clients it is clear the effect is mixed.

A 'new' Government with a renewed focus on the sector

Thankfully we avoided a three month Conservative Party leadership contest and within two weeks of the vote had a 'new' Government and leader. Promisingly, we have seen the new Government introduce two new departments, the Business, Energy and Industrial Strategy department and the International Trade department which combined hopefully give a renewed focus on the sector and its international trading.

UK PMI



A fall in PMI – short term reaction or long term concern?

The July PMI figures weren't exactly the desired result with the manufacturing index dropping below 50 to 49.1 reflecting a contraction of the manufacturing sector. Interestingly that fall was less significant than the one seen in the services sector. We eagerly await the August results to see if this drop was a one off knee jerk reaction to the EU referendum vote or something more concerning.

Interest rate cuts – a good thing?

The latest in the chain of events is the Bank of England's decision to cut the interest rate to 0.25% in a bid to "bolster confidence, blunt the slowdown and support the necessary adjustments in the UK economy."

Many of our manufacturing clients, who so far have seen little or no impact on their businesses, feel the Bank of England is sending out the wrong message. They feel it will save the average business owner very little but instead cause them to be more concerned something was seriously wrong, in turn decreasing their confidence to buy or invest, a far more costly consequence.

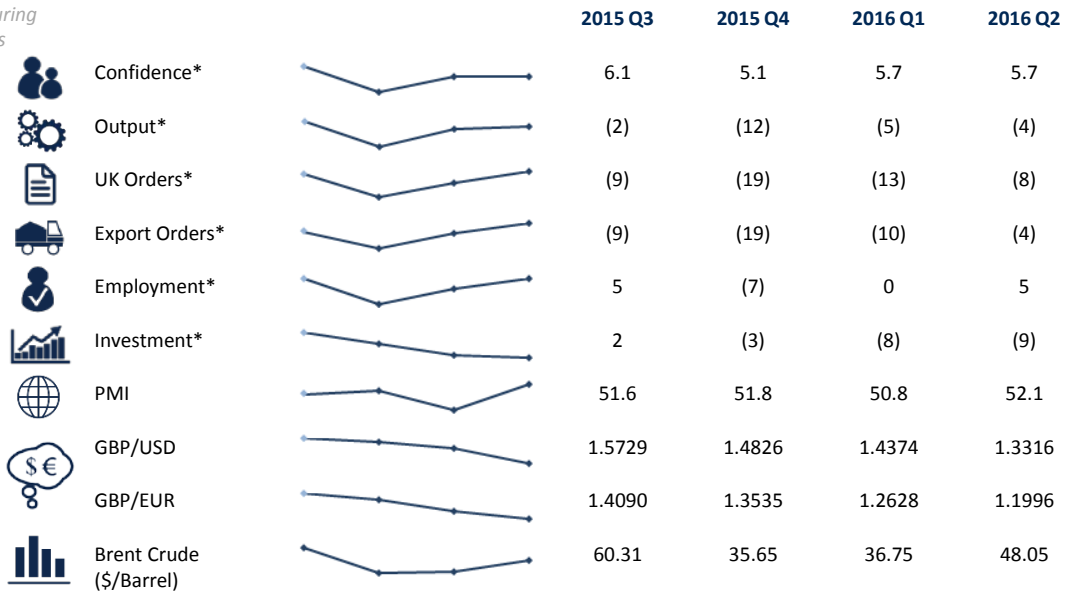
All that said...

As an economy, our starting point before heading into this period of uncertainty was far stronger than it would have been two years ago. This period of uncertainty won't last forever. The passage of time along with further clarity around our trading position with the EU and ROW will naturally provide a much needed uplift in certainty, which in turn will put us in a good place to make the most of the global opportunities available.

To close, we leave you with a confident comment from one of our clients who said "my products were mission critical to my European customers in May, I can't see how that will change in August, regardless of all other factors".

Industrial KPI's

*EEF Manufacturing Outlook Surveys



UK H1 2016 Deal Activity & Multiples

Long-term focused buyers fuel industrial deal activity despite short-term volatility

The volume of UK industrial companies sold in H1 2016 slowed when compared to last year with 226 transactions completed versus 571 throughout the whole of 2015. Whilst this almost certainly reflects the uncertainty ahead of the EU referendum in June it was encouraging to see 44 deals complete in July, fuelled by buyers seeing beyond the current volatility.

Whilst deal volumes may have reduced, interestingly the uncertainty in the UK didn't proportionally discourage international buyers with 33% of deals being completed with overseas buyers in H1 2016 compared with 34% in 2015.

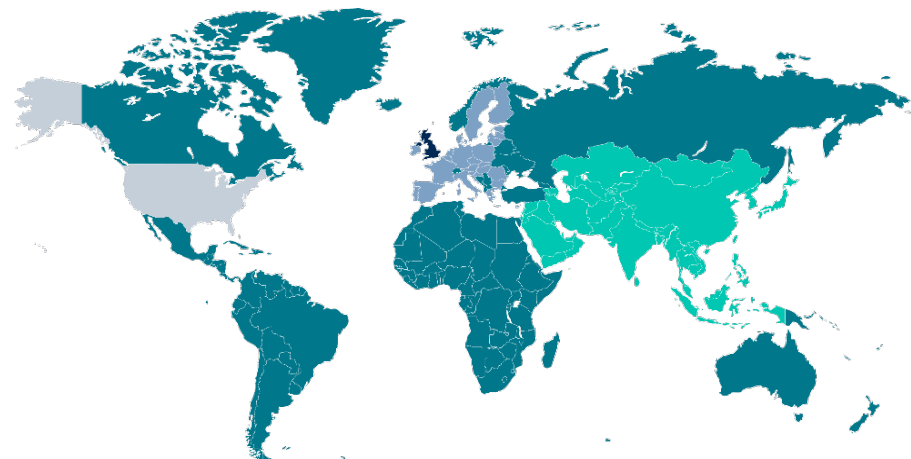
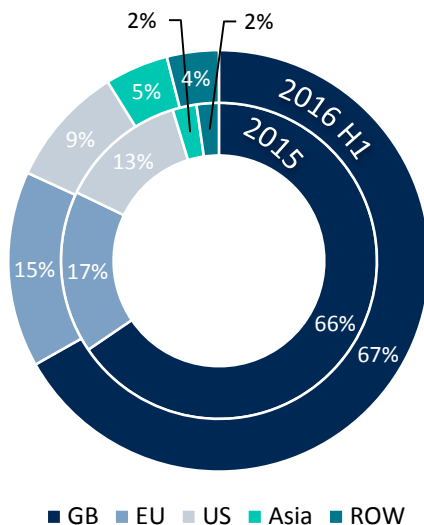
Looking at valuations on a global level all subsectors have held

up well across 2015 and H1 2016 with an overall average EBITDA multiple of 9.2x. As we would expect Aerospace and Defence companies continue to attract strong prices with an average EBITDA multiple of 11.1x. Given the slump in the oil price Oil and Gas transactions were few and far between, however of those that did complete, a strong price of 9.2x EBITDA was still paid, reflecting the longer-term value of those assets.

Overall, despite the short-term volatility, we are continuing to see an active buyers' market and premium prices being paid for our clients and across the market. If you are considering your options for a sale then it continues to be a good time to start discussions, please do get in touch.

Acquirers Of UK Industrials By Location

Source: BVD/Zephyr

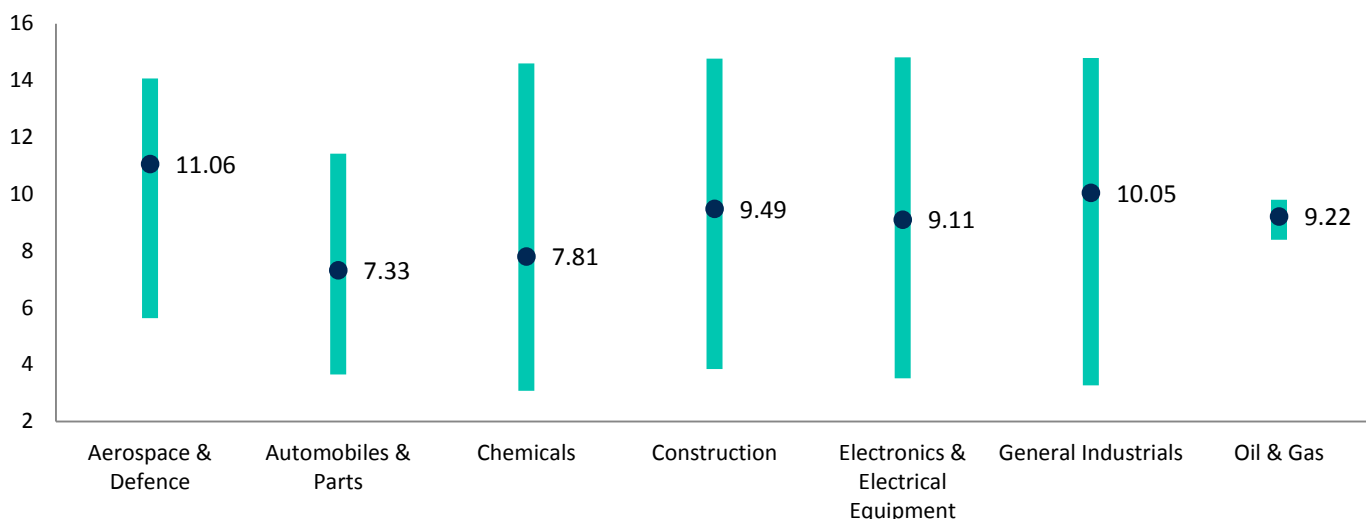


■ GB ■ EU ■ US ■ Asia ■ ROW

Global H1 2016 Deal Activity & Multiples

Range and Average EV/EBITDA Industrial Deals

Source: Orbis/BVD/Zephyr



Recent Orbis Industrial Transactions



Merged with

TOURNUS
EQUIPEMENT

Advisor to Tournus
Équipement - July 2016

Orbis Partners advised on the merger between Tournus Equipement and CED Fabrications

Orbis Partners alongside international partner Clairfield France, advised on the merger between Burgundy-based Tournus Équipement and Accrington-based CED Fabrications. Both businesses operate in the catering manufacturing industry offering complementary products.

Tournus Equipement is a management controlled producer of stainless steel professional equipment for the catering industry. The business is backed by private equity investors MML Capital, UI Gestion and BPI and generate annual revenues of more than €45m in 2015.

Advised by Orbis Partners, Tournus identified the merger with CED Fabrications as an opportunity to grow their product portfolio, a strategic decision backed by the wider group.

accutronics
professional battery solutions

Sold to

ULTRALIFE

Advisor to Accutronics –
January 2016

Orbis Partners advised on the sale of Accutronics to US based Ultralife Corporation

Orbis Partners advised the shareholders of smart battery manufacturer Accutronics Ltd on the sale of the business to US based Ultralife Corporation (NASDAQ: ULBI).

The business was originally bought out of administrative receivership, saving 47 jobs in Newcastle under Lyme, in September 2009 and was backed by Catapult Venture Managers and Intrinsic Equity.

Accutronics is a leading independent designer and manufacturer of smart batteries and charger systems, for high-performance, feature-laden portable and handheld electronic devices. Its major customers are European based Medical device OEM's.

About Orbis

Orbis is a mid-market corporate finance boutique advising on a wide range of M&A transactions covering the Industrials sector in addition to food & consumer, technology, media & telecoms, and healthcare. Orbis also has an active investment portfolio held through its investment vehicle Intrinsic Equity.

If you are considering your strategic options for enhancing the value of your business or your client's business, please contact either Chris or Simon.

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