Corbett Keeling | Corporate Finance

Q3 11 Engineering/Industrials Review

Corbett Keeling Engineering Team

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In its regular quarterly commentary Corbett Keeling reviews Corporate Finance activity in the Engineering and Industrials sector. Data is derived mainly from Experian Corpfin, a source compiling thousands of corporate finance deals completed since the 1990s, and expert interpretation is provided by Simon Keeling, Joint Chairman of Corbett Keeling Limited.

Corbett Keeling is a corporate finance boutique which was in founded in 1993 and specialises in buyouts and owner exits from businesses.

Q3, 2011 Engineering & Industrials Review

Overview:

- Relative to the previous quarter (Q2 11) there was a 6% increase in total number of deals completed.
- Relative to the same period last year (Q3 10) there was a 71% increase in total number of deals completed, mostly accounted for by smaller deals.
- At the upper end of the market, Q3 11 average deal size increased significantly on the previous year from £760m per deal to £980m.
- At the lower end of the market Q3 11 deal size decreased slightly from £10.6m per deal to £9.8m

Highlights:

- SPX Corp North Carolina, USA, provider of technical products and systems, industrial products and services, service solutions and vehicle components, agreed to acquire Clyde Union Ltd Glasgow, Scotland, manufacturer of pumps, from Clyde Blowers Capital. Consideration was GB£700m in cash, plus a potential earnout of up to GB£50m. Completion is expected in the fourth quarter of 2011.
- Hunting Plc, London, England, provider of oil and gas services, acquired TSI Acquisition Holdings LLC and its subsidiary Titan Specialties Ltd, Pampa, Texas, USA, provider of perforating gun systems, shaped charges, well logging instrumentation, perforating gun switches and other engineered hardward for the oil and gas industry, from Riverstone Holdings LLC. Consideration was US$775m (GB£475.57m) in cash.

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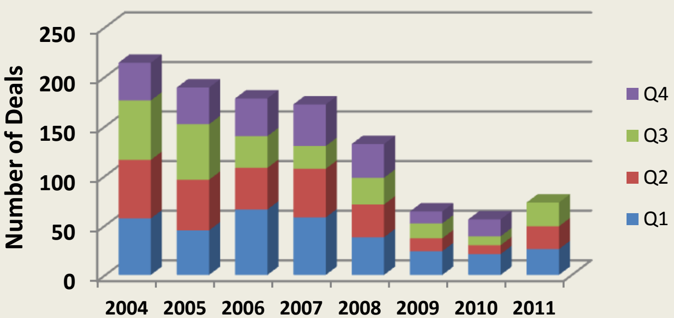
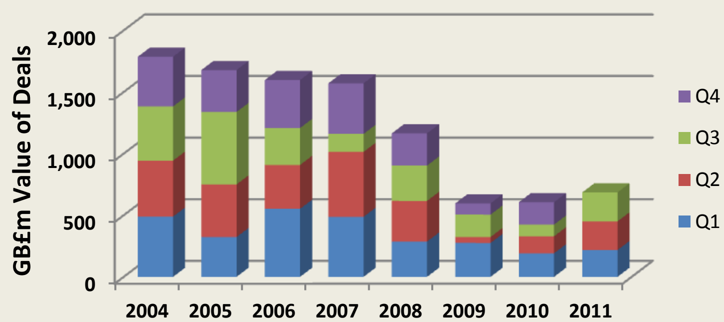
What does all this mean?

Recent results give some cause for optimism. Appetite for deals has grown at both ends of the market compared to the same period last year. However, the sovereign wealth crisis and current financial instability may be a better predictor of deal activity in the coming quarters.

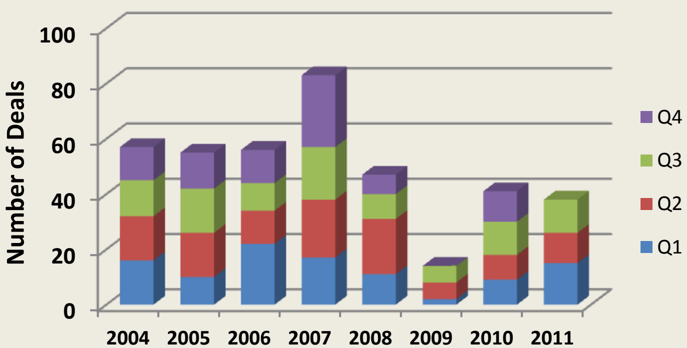
Deals by Volume - Consideration less than GB£40m



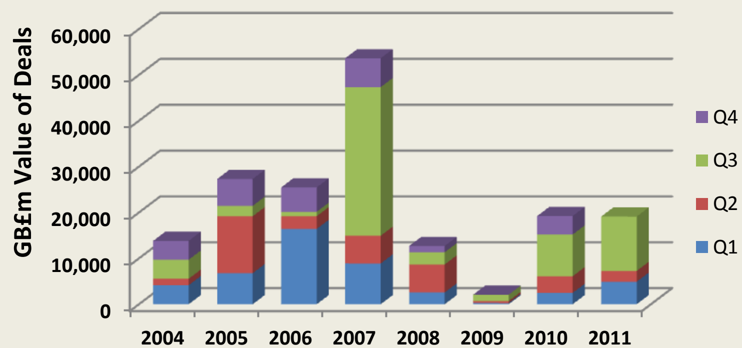
Deals by Value - Consideration less than GB£40m



Deals by Volume - Consideration more than GB£40m



Deals by Value - Consideration more than GB£40m



The charts above show engineering/industrials sector deal activity divided into transactions with value above and below £40m. In each case deals are only included when they are completed in the period (except Q3 2011 which includes pending deals), where the amount paid has been publicly disclosed and the buyer, seller or target has operations in GB . *Source: Experian Corpfin*