WARWICK M&A GROUP

Industrials

Sector Report



Oct 2022
Issue #7

Chart Industries' acquisition of Howden

High interest rates and increased regulation

Optimism for industrials M&A remains high

A recording breaking FY2021, industrial sector dealmaking has been put with much pressure...

February to November in numbers[1]

$389bn	32	$700mn
Total deal value (Nov 2022)	No of deals closed	Average deal value
-2%(YoY)	-20% (YoY)	59% (YoY)

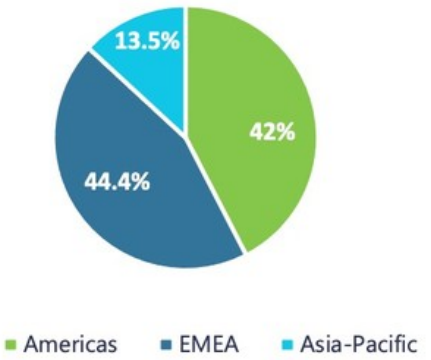
Average TEV/Sales:	4.1x	**Average Day Prior Premium:**	9.23%
Average TEV/EBITDA:	14.4x	**Average Week Prior Premium:**	12.4%
Average TEV/EBITDA:	14.4x	**Average Month Prior Premium:**	16.5%



Sectoral insight[3]

- M&A down by 27% compared to SPAC-induced H1 2021, but up 35% compared to average of previous cycle (2015-19)
- **Economic optimism remains high**, there's a strong deals pipeline, capital is in abundance, and companies across all industries badly need technology. Therefore, all the indicators are showing that **2022 is another supercharged year**.
- With 2022 ongoing, the officially published biggest deal is the **M&A with $6 billion** in manufacturing industry.
- higher interest rates, rising inflation, increased taxes and greater regulation could introduce structural or financial hurdles or delays for deals in 2022.

Deal count by region



Sources: 1. Dealogic, 2. Capital iq, Feb to Nov index price average, 3. PWC

Chart Industries' acquisition of Howden

Acquirer: Chart Industries Inc.

Chart Industries (NYSE: GTLS) is a leading independent manufacturer of specialised equipment in the Energy and Gas markets.

Chart Industries provides technology, equipment and services specifically related to liquefied natural gas, hydrogen, biogas and CO2 capture.

Howden and Chart Industries have an existing relationship and in 2021 worked together to build a new hydrogen liquefication plant in Canada.

Market Cap:	$6.4Bn[1]
Net Debt:	$0.4Bn
LTM Revenue:	$1.6Bn[2]
EV/ LTM EBITDA:	32.9x

Target: Howden Group Ltd.

Howden Group is a leading global provider of essential air and gas handling products and services.

Howden manufactures highly engineered fans, compressors, heat exchangers, steam turbines and other air and gas handling equipment.

KPS acquired Howden in 2019 and installed an accomplished management team to pursue an aggressive growth strategy focused on sustainability.

LTM Revenue:	$1.8Bn[2]
LTM adjusted EBITDA	$342M[2]
LTM adjusted EBITDA margin	$19%
Reported EBITDA	$297M

Sources: 1. Capital IQ, market cap as for 2022.11.14 ; 2. AR, QR, LTM Sept 2022 ; 3. Media Article

Transaction Summary[3]

- On November 9th 2022, Chart Industries announced that, pending regulatory approval, it intends to acquire Howden Group for an enterprise value of $4.4 billion, to be funded through $3.3Bn of cash and $1.1Bn of preferred stock.
- Chart shares fell 40% on the day of the announcement due to concerns regarding price, the size of the transaction in relation to Chart and the borrowings which Chart took on to fund the deal (4.25x Net debt to EBITDA, inclusive of synergies)



Announcement date:	9th November 2022
Transaction value:	$4.4Bn
EBITDA Multiple pre-synergies	12.9x
EBITDA Multiple post-synergies	8.4x
Acquirer adviser(s):	Bank of America
Target adviser(s):	Morgan Stanley, JP Morgan, Barclays, Evercore

The acquisition will expand Chart's portfolio...

Rationale and Outlook

Strategic growth over Nexus of Clean segment... Chart's Nexus of Clean – clean power, clean water, clean food, and clean industrials tracks the biggest megatrend in the industrials space and the acquisition of Howden will establish Chart as a global leader in sustainable processing solutions.

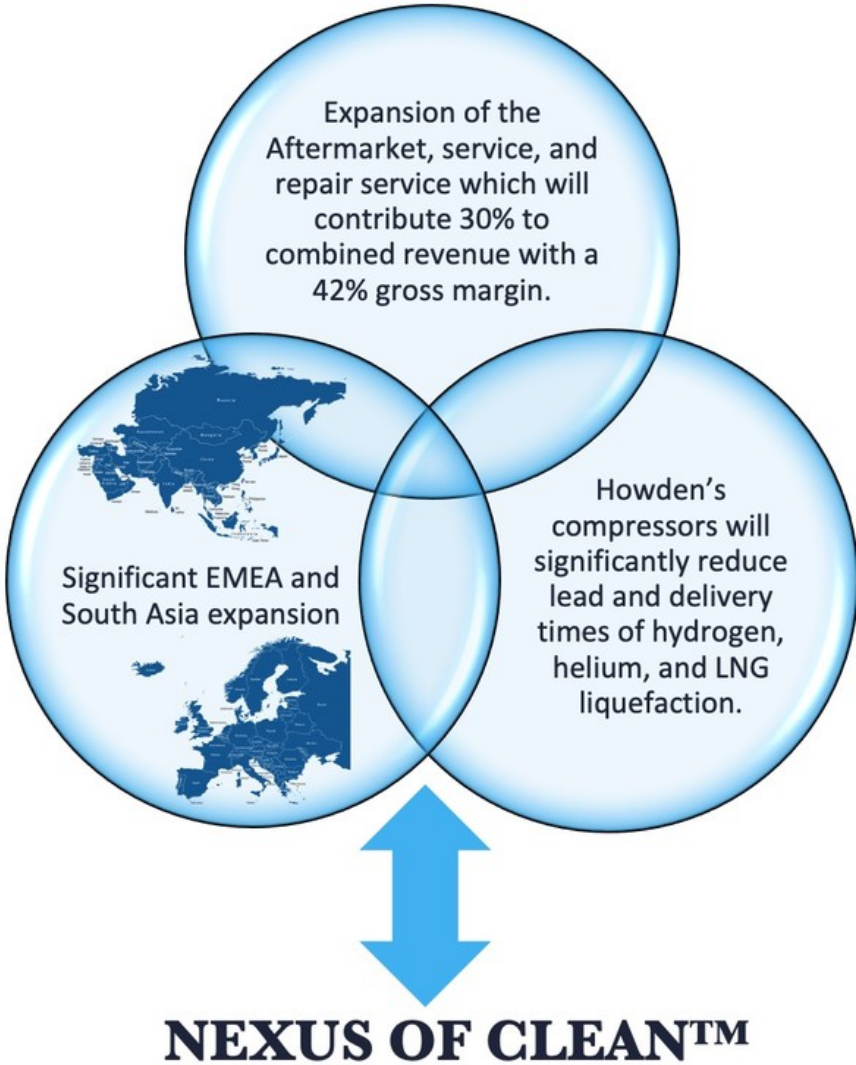
Access to critical equipment... Howden's portfolio of Booster fans, Gas Heaters, Oxidation Blowers, and Centrifugal compressor technologies will bolster Chart's presence in the Carbon Capture and Storage("CCUS") space.

Expansion to various industries... Howden's product portfolio's applications in the Marine, Cement, and Mining industries will expand Chart's service to cover these growing industries as a result of worldwide Infrastructure improvement schemes.

Advancement of Hydrogen services... Integration of Howden's products will establish Chart as a preferred solutions provider in hydrogen liquefaction, storage, and transport space which will be one of the biggest renewable energy themes in the coming years.

Exceptional Synergies... Significant cost synergies of over $175 million and revenue synergies of $150 million are predicted within a year of closing. Overall commercial synergies will surpass $300 million in year three.

Boosting Market Scale...



Sources: 1. Chart press release, 2. Howden press release

We selected 4 deals with potentially biggest impact on the industry…

May 17th, 2022 **$6.1bn**

KKR

Reached an agreement on the take-private of:

CONTOURGLOBAL

Stage of the deal: ○○●○○ **Chances of success:** **High**

Comment: The company will add to KKR's infrastructure investments that span industries such as renewables, utilities, transportation, water and communication.

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3rd October, 2022 **$1.75 bn**

ABB

Finished spinning off and listing of Accelleron Business

Accelleron

Stage of the deal: ○○○●● **Chances of success:** **High**

Comment: The listing will allow superior value unlocking for shareholders as all ABB shareholders will receive 1 Accelleron share for every 20 ABB shares held.

Accelleron's Turbocharging business will have more flexibility to focus on expansion into various markets.

Accelleron will be able to independently grow its emission and fuel consumption reducing technology businesses.

Jul 13th, 2022 **$5.5bn**

KKR

Completed a majority stake acquisition of:

Refresco

Stage of the deal: ○○●○○ **Chances of success:** **High**

Comment: KKR are always active in in pursuing its global infrastructure strategy since 200.

KKR plans to expand its influence through geographical expansion, developing new products verticals and improving sustainability and conducting M&A.

The deal also made sense for PAI partners and BCIM, since they still retain as the significant minority shareholder

April 26th, 2022 **NA**

Midea

Reached an agreement on the take-private of:

TTIUM

Stage of the deal: ○○○●● **Chances of success:** **High**

Comment: Midea has been benefited from this industrial technology cooperation in the form of technological advancement strategy.

Midea further expands its territory in the smart market, and the military uses two-wheel travel. The acquisition has achieved a "win-win" of sharing products and common technologies and promoting technological innovation.

Sources: 1. Press release

Glossary

The Team



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