



A global giant's milestone step in China's low-voltage electrical components sector

DEAL FLASH | INDUSTRIAL MACHINERY & COMPONENTS | APRIL 2021

DEAL SNAPSHOT

HuanYu Group Co., Ltd., a leading Chinese electrical equipment manufacturer, has accepted a strategic investment by Eaton, a global electrical giant, to form a joint venture company – HuanYu High Tech Co., Ltd. – to manufacture and market low-voltage (LV) circuit breakers and contactors in China.

HuanYu Group is a leading Chinese electrical equipment manufacturer. Founded in 1989 and headquartered in Wenzhou, China, its products are widely used across a variety of industries, including power grids, new energy, communication technology, chemicals, metal smelting, industrial manufacturing, medical and pharmaceutical, transportation and commercial building.

Eaton is a diversified power management company which was founded over 100 years ago. The company operates through various segments, including electrical products, electrical systems and services, aerospace, vehicle, and most recently, e-mobility. The company is confident that with its industry expertise and resources, it will leverage the JV's presence and capture a larger part of the market.

“We are very pleased to have achieved a strong strategic cooperation with Eaton with the help of Oaklins’ team. This will be a major change and integration in the field of low-voltage electrical components in China. With the local supply chain and resource network in Wenzhou, I believe we will be able to expand our market share, upgrade our technology, products and management and quickly grow into a more successful enterprise.”

WANG KAI
CHAIRMAN
HUANYU HIGH TECH CO., LTD.
CHINA

OAKLINS PLAYED A MAJOR ROLE IN FACILITATING THIS TRANSACTION

Oaklins’ team in Shanghai assisted the seller through a structured sale process, from the multiple phases of bidding, to valuation, and finally to SPA negotiations and closing. The team also led the vendor due diligence and facilitated and assisted in the legal and financial aspects of the transaction.



MARKET TRENDS & DEAL DRIVERS

China is one of the biggest markets for LV electrical components, with 2,000 companies engaged in the business. Most of them are located in coastal provinces and cities such as Guangdong, Zhejiang and Shanghai.

In 2020, the market size exceeded US\$15 billion. Powered by the development of 5G technology, clean energy, as well as grid transformation, it will continue to expand in 2021–2023.

Eaton saw HuanYu's value as a stable LV electrical components manufacturer with a sales team present in all major cities in China. With Eaton's reputable brand and technological edge, HuanYu has the potential to compete with other international brands and benefit from the trend towards increasing demand for LV electrical components. As Eaton has a vast international distribution channel and premium product lines, this opportunity can create synergies in the supply chain and drive cost savings.

M&A VALUATION ASPECTS

The transaction multiples of this deal are confidential.

However, they are in line with the valuation of other public companies in the same industry.

The average PE multiple of the industry is around 15–20x.

TALK TO OUR ADVISOR



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Angela has over 20 years of experience in cross-border M&A transactions, with particular expertise in the electrical products, facility management, new materials, consumer & retail and medical devices industries. Her recent clients include GSN Property Services, Dussmann, REC Silicon ASA (RNWEF), ACM Research Inc. (ACMR), Xella Group, Cortina LLP (a US private equity fund) and Magical Honour Limited.



OAKLINS HAS CLOSED 220 DEALS IN INDUSTRIAL MACHINERY & COMPONENTS

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