



Joining forces in the growing construction and infrastructure market

DEAL FLASH | CONSTRUCTION & ENGINEERING SERVICES | MAY 2021

DEAL SNAPSHOT

Margal Systems, a family-owned solution provider in the electrical projects and maintenance sector, has merged with Brand Industries Ltd., a market leader in steel products and projects.

Margal Systems is a unique player in electrical planning, construction and maintenance of electrical installations: power station infrastructure, transmission lines, road and tunnel lighting, control and communications systems, and runway and railway systems. Privately owned and family-managed, the company was founded in the 1980s and has completed more than 1,200 projects to date.

Brand Industries is a leader in the steel industry, providing top-notch solutions for complex infrastructure and energy projects and industrial facilities from its 100,000 m² plant. Brand's subsidiary, Grand Ofek, is a leading contractor in Israel for large-scale projects in the industrial, energy and infrastructure sectors.

Margal has successfully completed the merger with Brand Industries, a Tel Aviv stock exchange-listed company, by way of a reverse merger. Margal's former shareholders were allocated 61% of the merged company's shares, and hence took control of the company post transaction. The new group will be able to offer a comprehensive basket of solutions in Israel in the fields of steel, electrical systems, construction and projects, all under one roof.

“The Oaklins team has been with us all the way, during the ups and during the downs.

Thanks to their extensive knowledge of the Israeli market they were able to successfully identify the right partner that would help us achieve our future goals and take our more than 40-year-old business to the next level. Specifically I would like to highlight the team's determination and commitment, as well as the problem-solving mentality that was very much needed at certain moments during the process. We look forward to working with them again.”

LIRAN GILADI

DEPUTY CEO AND OWNER
MARGAL SYSTEMS, ISRAEL

OAKLINS PLAYED A MAJOR ROLE FACILITATING THIS MERGER

Oaklins' team in Israel acted as the sole advisor to the shareholders of Margal Systems in this transaction. The team's extensive experience in accompanying private companies, together with its in-depth knowledge and relationships with various players in the Israeli market, ensured a successful outcome.



MARKET TRENDS & DEAL DRIVERS

The market expects there to be an increase in mega projects carried out by the Israeli government in the next few years, including roads, railways and train stations, relocation of government installations, the Metro project and many more.

In light of these projects and massive investments in the market, we have seen a move towards creating large-scale companies that can provide one-stop-shop solutions, and also have access to the capital and other resources needed to execute these projects.

The merged company is expected to capitalize on the vibrant Israeli infrastructure construction and engineering market. The Israeli government has recently updated its infrastructure program for 2018–2022 to US\$61 billion. Additionally, the Ministry of Energy allocated US\$8 billion in 2020 for the development of large-scale solar power systems and other renewable energy projects.

M&A VALUATION ASPECTS

Margal was acquired at an implied EBITDA multiple of 8x, which is higher than usual for a second-tier, private company with a project-based business model.

The value implied by the share price traded on the market reflects a US\$38 million valuation of the acquired company.

TALK TO OUR ADVISORS



✉ **LIOR PAIS**

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Lior has over 21 years of underwriting and corporate advisory experience. Some clients he has advised include Melisron, Big Shopping Centers, Afcon, Amot Investments and Ashtrom Group.



✉ **BOAZ LEVI**

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Boaz has 20 years of experience in capital markets, corporate financial and M&A advisory. He has particular expertise in advising clients in industrial activities, business services and TMT. Among other high-profile deals, he was lead manager in the largest ever privatization in Israel – the sale of the government-owned Haifa Oil Refineries – for more than US\$1.6 billion.



“We believe the trend of consolidation in this market will continue, as demands from construction companies in terms of experience, management capabilities, certifications and resources will only grow. As government spending is expected to continue to accelerate, infrastructure projects will continue to inflate, thus pushing smaller companies to consolidate.”

BOAZ LEVI

PARTNER, OAKLINS, ISRAEL

OAKLINS HAS CLOSED 491 DEALS IN CONSTRUCTION & ENGINEERING SERVICES

Oaklins is the world's most experienced mid-market M&A advisor, with over 850 professionals globally and dedicated industry teams in more than 45 countries. We have closed 1,700 transactions in the past five years.

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