

Signs of continued strength within the TIC sector

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“The number of TIC deals continues to thrive in 2021, and high valuations are not an exception. We see that many trade buyers are looking to acquire companies which are able to support the digitalization of their services and solutions.”

ARJEN KOSTELIJK
TIC SPECIALIST, OAKLINS

MARKET TRENDS

Diversity & digitalization

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Market trends

Unlike some other sectors, strong diversification in the TIC market has prevented the sector from being severely impacted during the COVID-19 pandemic. With exposure to a broad variety of industries and protected by rules and regulations ensuring periodic testing, TIC services are generally well protected from an industry downturn. After a strong last quarter in 2020, M&A activity continued to be buoyant during the beginning of 2021.

The TIC market is also slowly picking up the digitalization trend, while lagging behind other industries. This trend

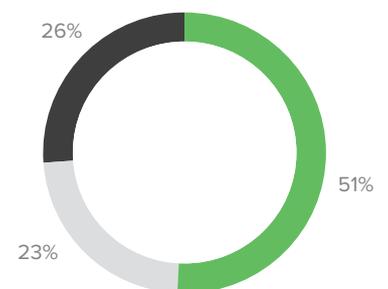
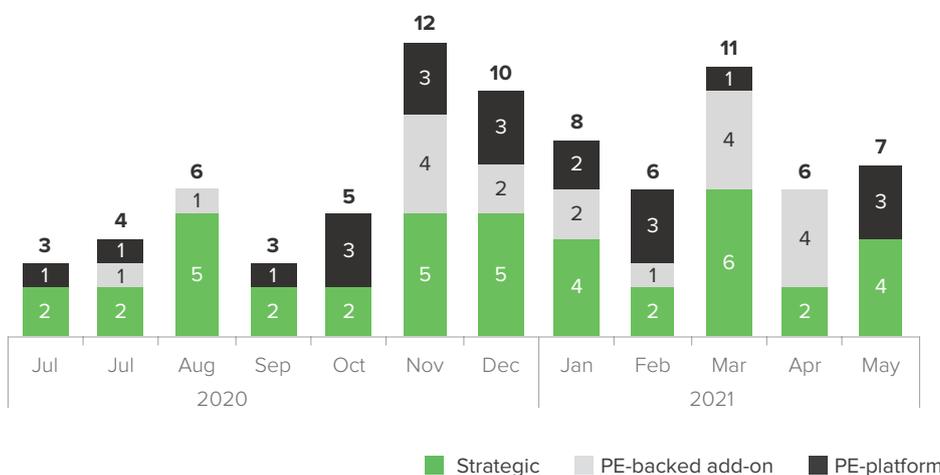
was accelerated by COVID-19, with remote auditing and inspection services expected to increasingly feature going forward. The digitalization trend is forecast to further drive the deal flow in the near future, as companies will look to build their own tech in-house, partner with leading firms or acquire external tech and software companies.

Two examples of acquisitions driven by the digitalization trend are the recent acquisition of Secura, a Netherlands-based company engaged in providing cybersecurity services, by Bureau Veritas, and the acquisition

of Brightsight, a Netherlands-based cybersecurity evaluation laboratory network by SGS. We believe that with both acquisitions, TIC majors Bureau Veritas and SGS are anticipating the expected acceleration of the non-physical assets TIC market.

As well as TIC companies making acquisitions to digitalize their service offering, we see private equity investors still investing heavily in the TIC sector, where more than half of the analyzed deals this year up to May involved private equity on the buy-side.

Monthly number of deals in the TIC sector in LTM May 2021, split by buyer type



Source: Oaklins analysis

Overview of relevant transactions

As can be seen in the graph on page 2, deal activity increased in the last two months of 2020 and remained strong throughout the beginning of this year. Strategic and private equity deals remain evenly distributed across the last 12 months.

1. FOOD AND ENVIRONMENTAL

With 10 deals analyzed in the period up to May 2021, M&A activity was high in the food & environmental part of the TIC sector. A significant deal in the sector was the large acquisition of SAI Global Assurance by Intertek. Furthermore, we have also seen a lot of private equity buyers moving into this TIC sub-sector.

- In May, **Intertek Group**, a UK-based company engaged in testing, inspection and certification of products, commodities and services, and quality assurance, acquired **SAI Global Assurance**, an Australia-based company specializing in quality assurance, auditing, certification and training for, among others, food safety, environmental management systems and OH&S, for a consideration of US\$650 million, equivalent to an EBITDA multiple of 23.8x
- In April, **Ecocert**, a France-based organic product certification company, agreed to acquire **CERTISYS**, a Belgium-based organic product certification company, for an undisclosed amount
- In April, **Alliance Technical Group**, a US-based provider of source testing, emissions monitoring and analytical services, acquired **O'Brien & Gere**, a US-based provider of air testing and monitoring solutions, for an undisclosed amount
- In March, **Normec Group**, a Netherlands-based company that offers testing, inspections and certification services, acquired **Delft Research Group** (Groen Agro Control), a Netherlands-based company that provides testing, inspections and certification services, for an undisclosed amount
- In March, **Sparring Capital and Kempen Capital Management**, France- and Netherlands-based private equity firms, acquired **Infraneo**, a France-based provider of infrastructure and soil surveying services, for an undisclosed amount
- In February, **Ardian**, a France-based private equity firm, acquired **GBA**, a Germany-based provider of laboratory and consulting services in the fields of environmental, food, consumer goods and pharmaceutical analysis, for an undisclosed amount
- In January, **Rockbridge Growth Equity**, a US-based private equity firm, acquired **Radata**, a US-based radon testing and treatment business, for an undisclosed amount
- In January, **SGS**, a Switzerland-based company providing auditing services, testing, certification and quality assurance services, as well as technical consultancy and training services, acquired **Concept Life Sciences Analytical & Development Services**, a UK-based company engaged in providing analytical and development services for pesticides, nutrition, microbiology, food molecular biology and allergens, for an undisclosed amount
- In January, **Cotecna Inspection**, a Switzerland-based company engaged in providing testing, inspection, trade security and certification services, acquired **Fitosoil Laboratorios**, a Spain-based laboratory in the agriculture and food safety market, for an undisclosed amount
- In January, **Ground Penetrating Radar Systems**, a US-based provider of private utility locating and concrete scanning services to utilities, contractors, engineering firms and environmental consultants, acquired

Radarview, a US-based company providing construction surface and material testing services, for an undisclosed amount

2. BUILDING, INDUSTRIAL AND PRODUCTS

We analyzed 17 deals in the building, industrial and products sector up to May 2021, and it's clear that this remains a sector where a lot of acquisitions take place. Major TIC players such as Applus Services, Bureau Veritas, Kiwa, SGS and Socotec made acquisitions, further consolidating this sub-sector.

- In May, **Applus Services**, a Spain-based company engaged in providing testing, inspection, certification, engineering and consulting services, acquired **IMA Materialforschung und Anwendungstechnik**, a Germany-based materials testing laboratory, for an undisclosed amount
- In May, **PAI Partners**, a France-based private equity firm, acquired a minority stake in **Apave**, a France-based inspection and certification specialist, for an undisclosed amount
- In May, **SFW Capital Partners**, a US-based private equity firm, acquired **Granite River Labs**, a US-based test and certification services provider for digital and charging technologies, for an undisclosed amount
- In May, **SGS**, a Switzerland-based company providing auditing services, testing, certification and quality assurance services, as well as technical consultancy and training services, acquired **BrightSight**, a Netherlands-based cybersecurity evaluation laboratory network for

- chip-based secure payment systems, security identity solutions and IoT platforms, for an undisclosed consideration
- In April, **Socotec**, a provider of testing, inspection and certification services for the construction, infrastructure and environment sectors, acquired **Tecnolab**, an Italy-based company specialized in construction material testing and geotechnical services, for an undisclosed amount
 - In April, **Universal Engineering Sciences**, a US-based consulting engineering firm specializing in geotechnical engineering, environmental sciences, construction materials testing and threshold inspection, acquired **GEOServices**, a US-based geotechnical engineering, materials testing, construction services and environmental services firm, for an undisclosed amount
 - In April, **Phenna Group**, a UK-based company engaged in providing testing, inspection, certification and compliance services, acquired **Thomas Bell-Wright International Consultants**, a UAE-based provider of testing, inspection and certification services to the international building construction sector, for an undisclosed amount
 - In April, **SGS**, a Switzerland-based company providing auditing services and testing, certification and quality assurance services, as well as technical consultancy and training services, acquired a 49% stake in **The Lab (Asia)**, a Hong Kong-based provider of materials testing, inspection, and consulting services to the construction, civil engineering, highways, airports and associated industries, for an undisclosed amount
 - In March, **Kiwa**, a Netherlands-based company engaged in testing, inspection, certification and training, acquired **IFC Group**, a UK-based provider of fire safety consultancy, for an undisclosed amount
 - In March, **Kiwa**, a Netherlands-based company engaged in testing, inspection, certification and training, acquired **DARE!! Services**, a Netherlands-based company active in EMC measurements, product safety, calibrations and certification of medical equipment and devices, for an undisclosed amount
 - In March, **AB Dynamics**, a UK-based supplier of automotive test systems, acquired **Vadotech Group**, a Singapore-based supplier of automotive testing services, for a consideration of US\$31 million, equivalent to an EBITDA multiple of 6.5x
 - In March, **Applus Services**, a Spain-based company engaged in providing testing, inspection, certification, engineering and consulting services, acquired **Ingenieria Estudios y Construcciones and Adicora Servicios de Ingenieria**, both Spain-based providers of industrial engineering and consultancy services, for an undisclosed amount
 - In February, **HAL Investments**, a Netherlands-based private equity firm, acquired **Top Employers Institute**, a Netherlands-based company engaged in certification and benchmarking of human resources policies, for an undisclosed amount
 - In February, **Era Services Group**, a US-based company interested in companies engaged in providing crane inspection, maintenance, and manufacturing services, acquired **Cranetech**, a US-based Industrial products and services company engaged in providing crane inspection, maintenance and manufacturing services, for an undisclosed amount
 - In February, **CET Structures**, a UK-based provider of specialist outsourced services to the infrastructure, civil engineering, construction, property and insurance sectors, acquired **Nicholls Colton Group**, a UK-based consultancy and testing business providing a variety of solutions to the civil engineering sector, for an undisclosed amount
 - In January, **Bureau Veritas**, a France-based company engaged in providing conformity assessment, compliance evaluation and certification services to various industries, acquired **Secura**, a Netherlands-based company engaged in providing cybersecurity services, for an undisclosed amount
 - In January, **Century Equity Partners**, a US-based private equity firm, acquired **Hancock Claims Consultants Holdings**, a US-based provider of property and casualty inspection services, for an undisclosed amount

3. HEALTHCARE

With 10 deals analyzed in the healthcare sector up to May this year, it's evidently an area worth paying attention to. Within this TIC sub-sector, we see a significant part is related to genomics testing, where technological advancements are an important growth driver.

- In May, a group of **US-based investors** acquired a 3.64% stake in **NeoGenomics**, a US-based clinical laboratories company engaged in cancer genetics diagnostic testing, for a consideration of US\$198 million, equivalent to a revenue multiple of 12.2x
- In May, **Laboratory Corporation of America**, a US-based clinical laboratory services company that provides diagnostic, drug development and technology-enabled solutions, acquired the Vectra testing business of **Myriad Genetics**, for a consideration of US\$149 million
- In March, **Sotera Health Company**, a US-based company engaged in providing contract sterilization and ionization services for the medical devices, food safety and high-performance specialty materials industries, acquired **BioScience Laboratories**, a US-based provider of clinical laboratory testing services, for a consideration of US\$15 million
- In March, **Quest Diagnostics**, a US-based company engaged in providing diagnostic testing information services, acquired the outreach laboratory services business of **Mercy Health**, for an undisclosed amount

- In March, **ALS**, an Australia-based company that is engaged in the provision of technical testing and inspection services, acquired **Grupo Investiga**, a Brazil-based company engaged in pharmaceutical testing, for an undisclosed amount
- In March, **Synergy Laboratories**, a US-based laboratory providing diagnostic testing services, acquired **Pathology Laboratory Associates**, a US-based medical laboratory providing pathology testing services, for an undisclosed amount
- In February, **Exact Sciences Corporation**, a US-based biotechnology firm focused on the treatment of colorectal cancer, acquired **Ashion Analytics**, a US-based genomics testing company engaged in providing personalized options for cancer treatment, for a consideration of US\$89 million
- In February, a group of US-based investors acquired a 14% stake in **Mount Sinai Genomics**, a US-based clinical genomic testing company, for a consideration of US\$344 million
- In January, **SGS**, a Switzerland-based company providing auditing services, testing, certification and quality assurance services, as well as technical consultancy and training services, acquired **International Service Laboratory**, an Ireland-based company engaged in providing regulated analytical laboratory and stability testing services for a broad variety of pharmaceutical products, for an undisclosed amount
- In January, **North American Science Associates**, a US-based company that provides testing and consulting services to medical device makers, acquired **Syntactx**, a US-based contract research organization offering outsourced services for clinical trials and healthcare-related testing, for an undisclosed amount

Case study



Eurofins strengthens its cybersecurity portfolio with the acquisition of Insite Security

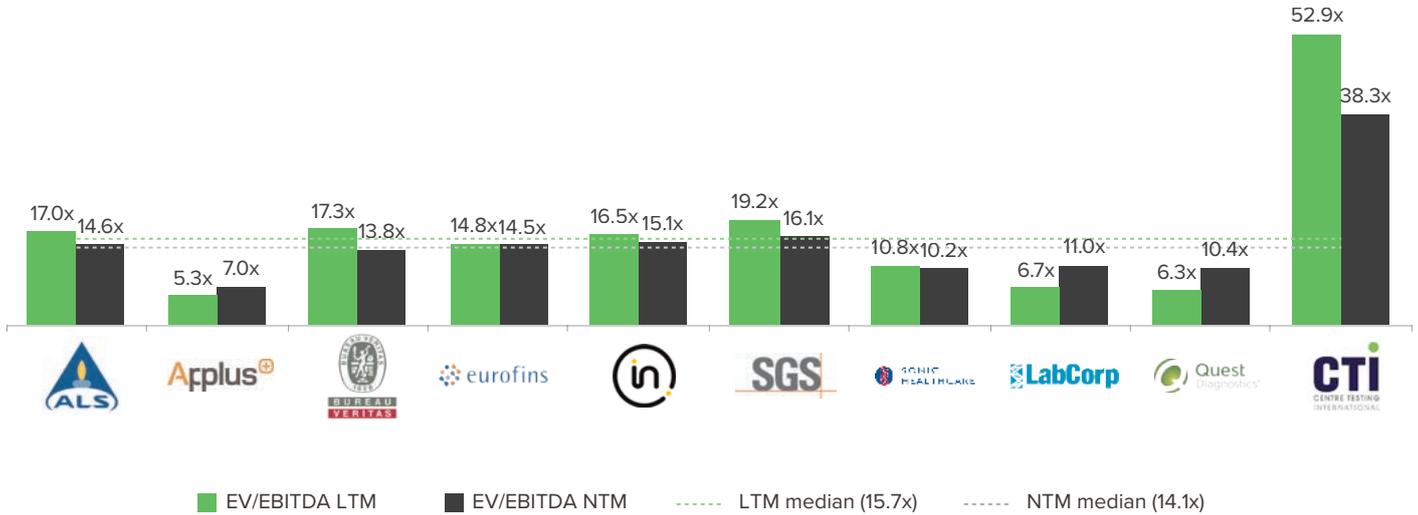
Insite Security is an IT security service provider that offers assessment and incident management such as pen tests and first aid in the event of a cybersecurity breach, IT security advisory and assurance services, and cybersecurity awareness training for employees.

Within its cybersecurity portfolio, Eurofins provides a range of services including security assessments, compliance services, security strategy and governance, device security testing, and content security compliance. The addition of Insite Security expands Eurofins Digital Testing's global cybersecurity footprint into the Netherlands.

Oaklins' team in the Netherlands acted as the exclusive sell-side advisor to the shareholders of Insite Security. The Dutch team helped with the preparation of the sale process, due diligence, and the approach to and parallel negotiations with the potential buyer who was granted exclusivity, then assisted them until closing.

Market multiples and valuation trends

CURRENT TRADING MULTIPLES (EV/EBITDA) OF LISTED TIC COMPANIES



Source: CapitalIQ, as per 5 July 2021

HISTORICAL VALUATIONS (EV/EBITDA NTM)



Source: CapitalIQ, as per 5 July 2021

The graph above shows the EV/EBITDA NTM median of listed TIC companies. In line with the general market, there was a slight dip in valuation in March 2021, but the TIC market recovered strongly and is currently trading close to its highest point of the year.

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Testing, Inspection and Certification (TIC) is one of our focus areas. Combining comprehensive sector knowledge with global execution has led Oaklins to become one of the most experienced M&A advisors in the TIC sector, with a large network of relevant market players worldwide. This results in the best possible merger, acquisition and divestment opportunities for TIC companies.

If mergers, acquisitions, or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you.

✉ **ARJEN KOSTELIJK**

Partner
Amsterdam, Netherlands
T: +31 61397 9718

Arjen leads Oaklins' testing, inspection & certification (TIC) team. He is also a partner at Oaklins Netherlands. Arjen has advised multiple clients in the TIC sector, including the sale of Kalsbeek to Normec, Insite Security and Omegam to Eurofins, the sale of KOAC-NPC to Kiwa, the disposal of Norkjemi to Shield Group International, the sale of Dansk Bygningsanalyse to Shield Group International, and the sale of Xendo Drug Development to QPS. He has also established high-level contacts with market consolidators, such as Bureau Veritas, SGS, Eurofins, Normec, Applus and Kiwa.



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