

# Chinese innovation in the electrical equipment sector comes to the international market

DEAL FLASH | INDUSTRIAL MACHINERY AND COMPONENTS | JUNE 2022

## DEAL SNAPSHOT

The shareholders of Jiangsu Huineng Electric Co., Ltd. (Jiangsu Huineng), a leading Chinese low-voltage electrical equipment manufacturer, have sold a 50% equity stake of the company to Eaton Corporation (Eaton), a global giant in the electrical equipment industry, to form a joint venture.

Founded in 2007, Jiangsu Huineng manufactures and markets low-voltage circuit breakers, relays and contactors in China. The company has strong R&D capabilities and leads the market in product innovation. Its products have wide applications and a clear leading market position in the renewable energy sector in China. In 2021, Jiangsu Huineng generated revenues of US\$35 million.

Eaton is a leading global player in the electrical industry, with over 100 years of history. With a strong sales presence in over 170 countries, Eaton generated total revenues of US\$19.6 billion in 2021. Eaton entered the Chinese market in 1993 and has grown to be one of the major players in the country's low-voltage electrical sector.

Eaton recognized Jiangsu Huineng's value as a market leader in product innovation, especially in the promising renewable energy sector. Eaton has a vast international distribution network and, through this transaction, Jiangsu Huineng expects to gain access to a broader market. This strategic cooperation will help both companies to accelerate their growth.

## OAKLINS PLAYED A KEY ROLE IN FACILITATING THIS DEAL

Oaklins' team in Shanghai acted as the exclusive financial advisor to the shareholders of Jiangsu Huineng in this transaction and assisted with valuation guidance, negotiations, pre-closing restructuring and other closing-related matters.

"The Oaklins team understands our industry and strategic needs. We're very pleased to have completed this strategic leap forward in our company's development with Oaklins' help."

**CHANGSHENG JIANG**  
CHAIRMAN  
JIANGSU HUINENG ELECTRIC  
CO., LTD., CHINA



## MARKET TRENDS & DEAL DRIVERS

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

In 2021, the market size exceeded US\$16 billion. Powered by the development of clean energy and telecommunications as well as grid transformation, it will continue to expand between 2022 and 2025.

Traditionally, multinational players dominate the high-end market with product innovation and brand reputation for product quality, while local companies prevail in the low-end market, with advantages in sales networks and low-cost production. As local players gradually catch up in technology, some of them are gaining leading positions in certain areas, due to their product innovation and manufacturing capabilities.

## M&A VALUATION ASPECTS

The transaction multiples of this deal are confidential.

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

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

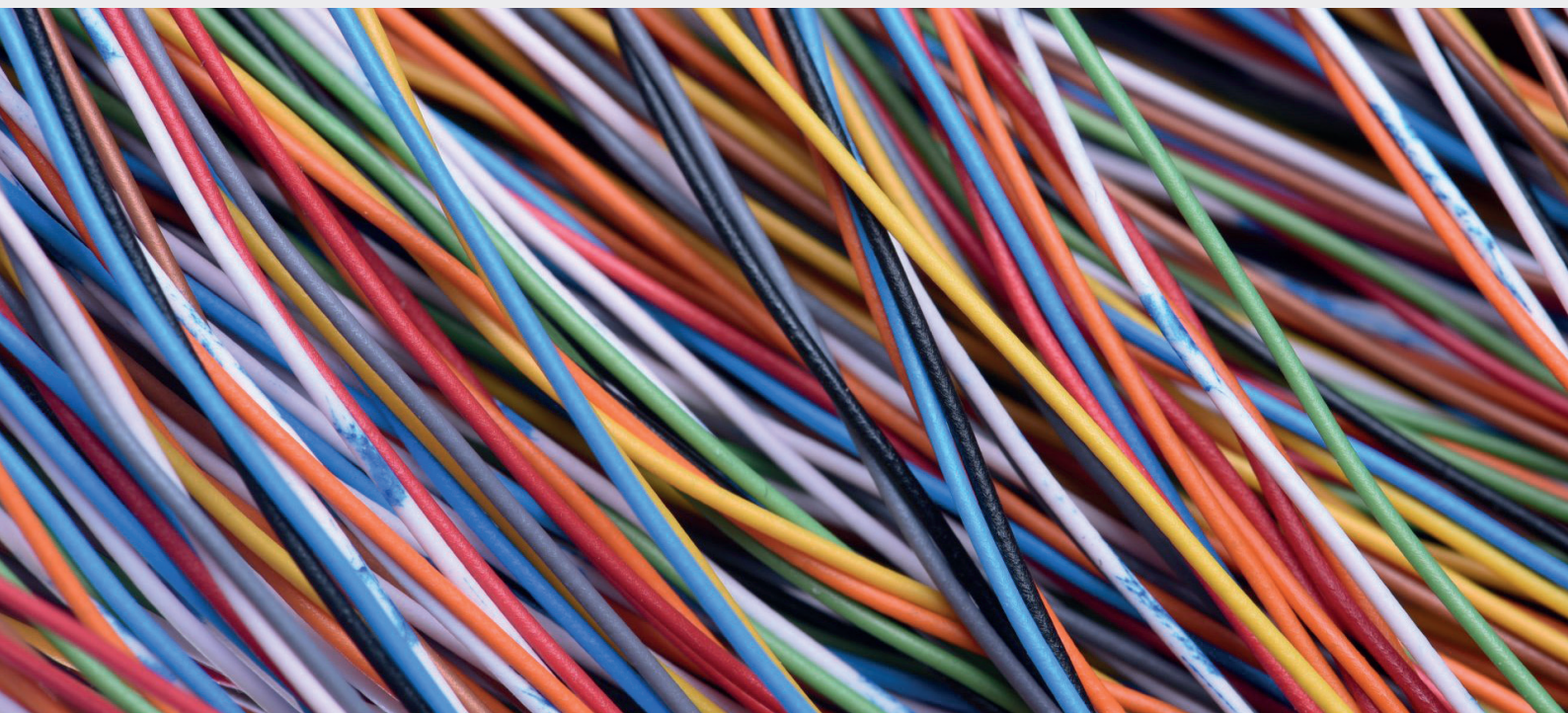
## TALK TO OUR ADVISOR



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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), Magical Honour Limited and HuanYu High Tech Co., Ltd.



## OAKLINS HAS CLOSED 251 DEALS IN INDUSTRIAL MACHINERY & COMPONENTS

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