

Strategic positioning aligned with industry mega trends

DEAL FLASH | INDUSTRIAL MACHINERY & COMPONENTS | SEPTEMBER 2022

DEAL SNAPSHOT

Walter, a division within Sweden-based Sandvik Manufacturing and Machining Solutions, has acquired Portugal-based Frezigest, SGPS (Frezite), a family-owned polycrystalline diamond (PCD) tool manufacturer.

Sandvik is a global high-tech engineering group providing solutions that enhance customer productivity, profitability and sustainability for the manufacturing, mining and infrastructure industries. Sandvik is at the forefront of digitalization with a focus on optimizing customers' processes, as well as having a world-leading offering that includes equipment, tools, services and digital solutions for machining, mining, rock excavation, rock processing and advanced materials.

Founded in 1978, Frezite primarily offers made-to-order PCD tools for metal and wood applications, predominantly serving customers in the automotive, general engineering and aerospace segments. The company is headquartered in Trofa, Portugal, and has a presence in Europe, Mexico and Brazil.

“Frezite provides complementary production capabilities and competence and reinforces our position in the electric and hybrid automotive market. With its solid position within custom PCD tools and competence within interesting adjacent fields, we are very pleased to welcome Frezite to the Group.” *

NADINE CRAUWELS
PRESIDENT
SANDVIK MACHINING SOLUTIONS
SWEDEN



* From Sandvik's official press release dated 27 June 2022

OAKLINS PLAYED A KEY ROLE IN FACILITATING THIS DEAL

Oaklins' Swedish and Portuguese teams acted as financial advisors to Sandvik and Walter throughout the acquisition process. Since 2018, Oaklins has executed five international transactions on behalf of Sandvik, which demonstrates its seamless execution of cross-border deals.



MARKET TRENDS & DEAL DRIVERS

There is a clear shift toward hybrid and electric vehicles, and a corresponding reduction in combustion engine volumes, driven by an increasing focus on sustainability and ambitious emission reduction targets globally.

Investments in electric vehicles are expected to exceed €360 billion (US\$357 billion) by 2030 (source: S&P Market Intelligence, September 2021).

Hybrid and electric vehicles use a greater number of aluminum components, which in turn is expected to drive demand for aluminum cutting tools.

Frezite enhances Sandvik's offering within PCD aluminum products, strengthening the company's position in relation to the ongoing shift toward hybrid and electric vehicles.

M&A VALUATION ASPECTS

Transaction multiples in the cutting tools space have seen inflationary pressures driven by a booming stock market and high acquisition activity since the temporary halt caused by the COVID-19 outbreak.

In very general terms, reference EBITDA multiples have, over the years, risen from around the third/fourth single-digit quartiles to the high single-digit to low double-digit space. That said, multiples greatly depend on company specifics, including geographic market coverage and end markets served, where significant differences can be seen in profitability profiles and expected growth rates over the coming years.

TALK TO OUR ADVISORS



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Nikolaos has been involved in the execution of M&A deals across a broad spectrum of industries, ranging from healthcare and TMT to industrials. Notable deals he has advised on include the sale of The Multi Group to 500.com; the sale of Enventus to Lichtenstein-based Hoval AG; the sale of Nolato Hertila to UK-based Essentra Plc; the sale of Cobolt to Germany-based Hubner GmbH; Nolato's acquisitions of Switzerland-based Treff AG and US-based GW Plastics; and Sandvik's acquisitions of US-based Dura-Mill Inc., Wetmore Tool & Engineering and Melin Tool Company, and the cutting tools division of Mexican QCT.

João has more than 20 years' experience in financial advisory, M&A and financial restructuring. Recent transactions he has closed include the shareholder restructuring of Sanindusa, a leading Portuguese sanitary equipment group, with the private equity firm Iberis Capital; the acquisition of Tabacos Farinha and Joaquim Guimarães by FEPI, a distributor of tobacco and wine; and the buy-out of LeYa Group, one of the main educational publishers in Portugal and a leading postgraduate e-learning company in Brazil, by private equity fund Atena Capital Partners together with the group's management team.

"We are delighted to have assisted Sandvik in yet another transaction, this time together with our Portuguese colleagues. We thank Sandvik for their trust and extend our congratulations on the acquisition, which further enhances Sandvik's and Walter's position as leading global suppliers of cutting tools."

NIKOLAOS KARABELAS
OAKLINS, SWEDEN

OAKLINS HAS CLOSED 251 DEALS IN INDUSTRIAL MACHINERY & COMPONENTS

United by a strong belief that we can achieve the extraordinary. Oaklins is a global team of 850+ financial advisory professionals in 45 countries providing M&A, growth equity, ECM, debt advisory and corporate finance services to support entrepreneurs, corporates and investors in reaching their goals.

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