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ROBOTICS M&A REPORT 2017

AN UPDATE ON THE STATE OF THE MARKET

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INTRODUCTION

When many people think of a robot they envision something along the lines of Star Wars' C3P0 or R2D2. But like the fictional galaxy where those characters reside, such outdated stereotypes are far, far away from the actual robotic technology that has entered the work space. In a wide range of industries, increasingly flexible and responsive robots are beginning to augment, change and replace production processes, value chains and human labor. This is a megatrend that is transforming the economics of manufacturing and reshaping the business landscape.

Because robots can sharply improve productivity and offset regional differences in labor costs and availability, they'll likely have a major influence on competitive dynamics. Companies will have to react to these far-reaching implications and consider how robotics will alter their workforce, their operations and their competitive position.

Game changing technologies that have the potential to disrupt existing business models inevitably have an outsized impact on the M&A market as well. As you will see in this report, this is already reflected in the number and scope of the deals taking place in this sector.

The Oaklins Robotics M&A Report 2017 provides an overview of:

- M&A activity within the robotics industry
- Price developments based on EBITDA multipliers
- Specific insights into the current challenges of a robotics company

THE ROBOTICS M&A MARKET

The focus of this M&A market analysis is on transactions with European and North American participation—meaning that either the target, the seller or the buyer are based in Europe or North America.

To better track and understand these transactions, we segmented the robotics industry into two sectors:

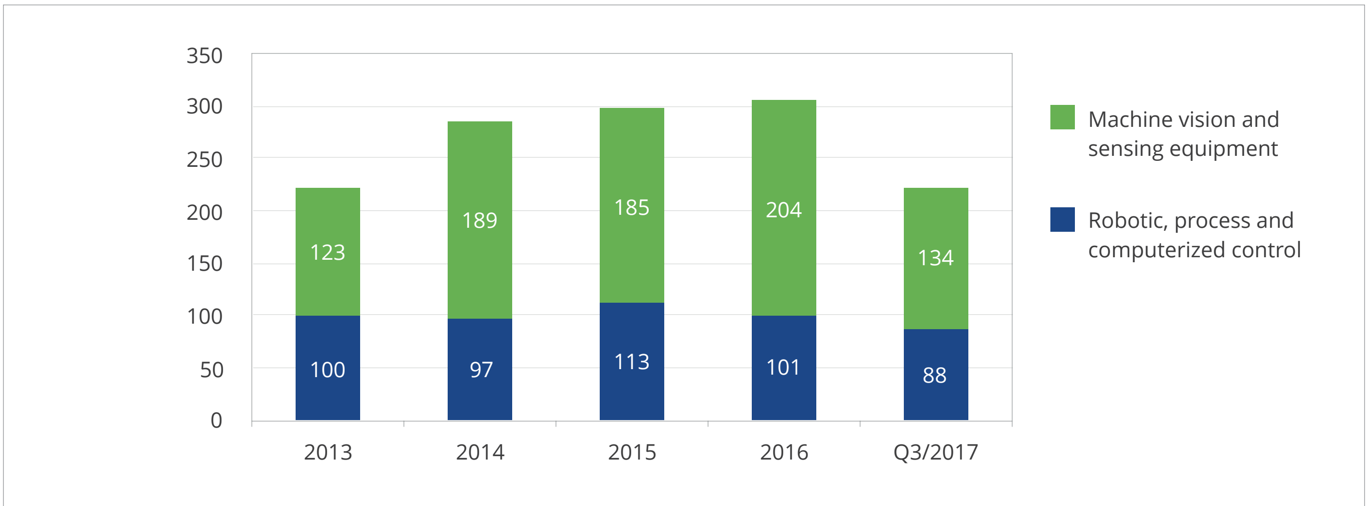
- **Robotic, process and computerized control,** which comprises manufacturers of industrial and consumer robots and robotic systems, as well as companies active in the areas of automation, process and computerized control.
- **Machine vision and sensing equipment,** which includes companies that manufacture devices or provide services that enable a robot to view and sense its environment or otherwise perform its task.

TRANSACTIONS PER SUB-SECTOR

During the first three quarters of 2017, a total of 221 transactions were completed within the robotics industry: 87 of them pertained to companies active in the robotic, process and computerized control sector, and 134 involved machine vision and sensing equipment companies. Given that more deals are usually completed in the second half of the year, the number of deals to close in 2017 is likely to exceed 300.

In general, the number of robotic industry transactions has been increasing over the past four years. This growth is primarily due to major market players seeking to acquire new technologies that increase the autonomy and intelligence of their products. The deal making has been concentrated in the machine vision and sensing equipment sector, where around two thirds of the transactions have taken place.

Transactions per sub-sector



Source: Mergermarket

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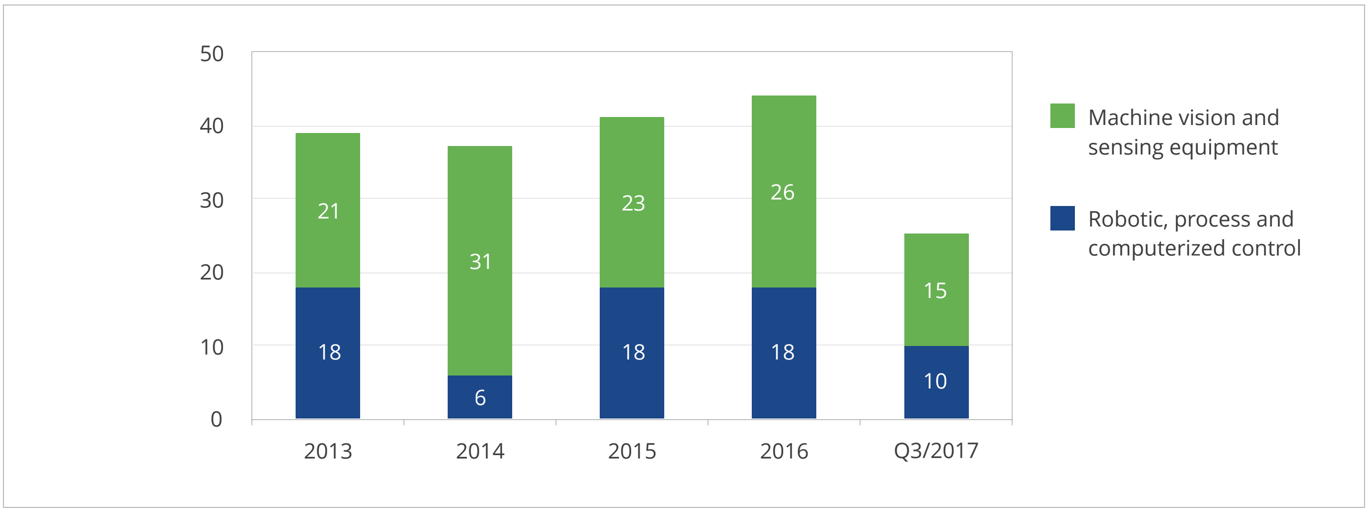
WHO ARE THE BUYERS?

Strategic vs. financial investors

Since 2013, financial investors have completed a total of 186 robot-related transactions, or what amounts to a 13–17% share of the annual total. In other words, on average, every 7th industry transaction is completed by a financial investor. This trend has been declining slightly over time.

Financial investors: Transactions per sub-sector



Source: Mergermarket

RECENT TOP DEALS

Eight megadeals with a transaction value greater than US$1 billion were completed in the past 18 months. The Chinese Midea Group's US$5.1 billion acquisition of the German industrial robot supplier KUKA AG was the largest, and is a good example of China's growing appetite for industrial automation.

Our analysis of transactions with a value greater than US$600 million shows that the largest group of targets were based in the USA (6), followed by Germany (3). US buyers also dominated the list of top deals with 7 acquisitions, far ahead of runner up China (2).

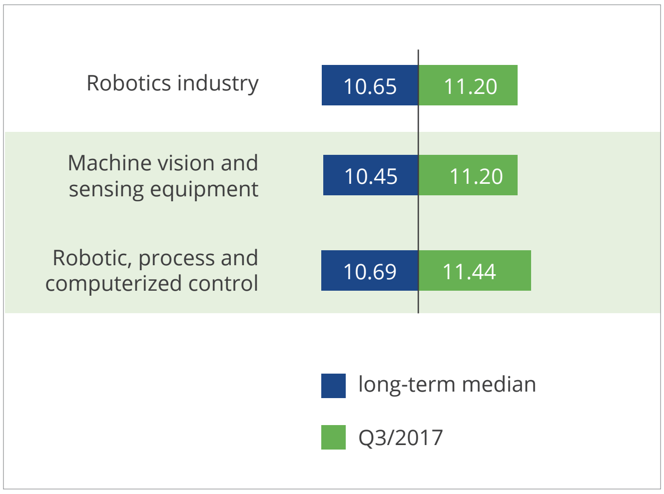
TRANSACTION MULTIPLES (EBITDA)

Prices paid in the robotics sector

Buyers are often willing to pay very high multiples for robotics companies for the following reasons:

1. The technology's market potential is enormous.
2. The pace of development is very fast.
3. There is considerable fear of missing out and being left behind by the latest developments.
4. Many strategic buyers have deep pockets and can afford to pay price premiums.
5. The cost saving potential is huge.
6. Low interest rates and the general state of the economy favor higher prices as well.

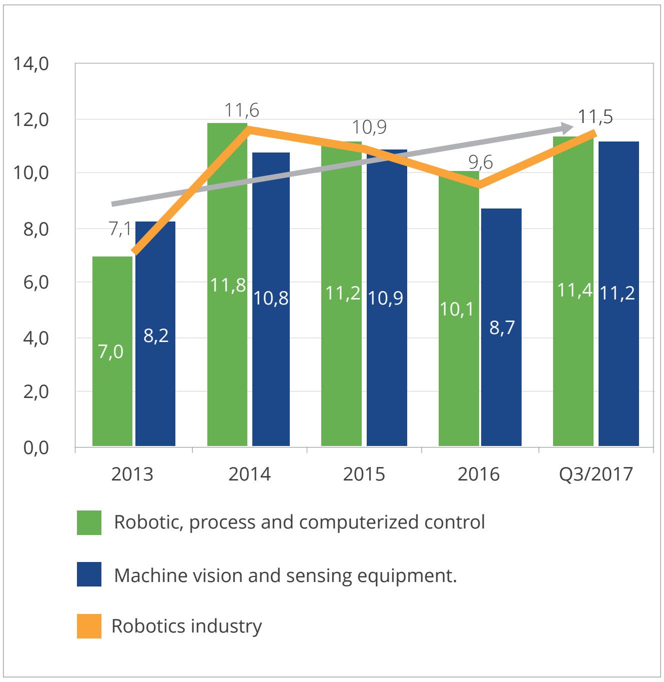
Confirming this are the median prices of all transactions since 2009, which represent an EBITDA multiple of between 10.45 and 10.69. Actual prices paid in the first three quarters of 2017 reflect even higher multiples, indicating that prices are currently rising.



Source: Mergermarket

Increasing prices

Although price multiples fluctuate on a yearly basis, the graph shows that there is a slight upward trend and that the multiples are currently on a rather high level. Since 2013, price multiples have increased from single to double digits, which appears sustainable. The leap in prices from 2013 to 2014 was accompanied by a rise in transaction volume from US$10.6 billion to US$20.2 billion. The average transaction value also increased from US$135 million to US$184 million in the same period.



Source: Mergermarket

INTERVIEW

Stäubli is a Swiss maker of textile machinery, connectors and robotics products with 4,500 employees and an annual revenue of more than US$1.1 billion.

How important is robotics for Stäubli?

Robotics is one of our four business lines and a strategic pillar for the company. It is our youngest and fastest growing division with significant potential.

How are you positioned in the robotics market? What are your comparative advantages?

Stäubli is a mid-tier competitor in terms of sales volume. The big four robot manufacturers supply over 50% of their products into the auto-body spot-welding market, and Stäubli has made the strategic decision not to compete in this segment.

We lead the robot market in performance and reliability, and offer machines that have been adapted for specialized applications, such as ESD, humid environments, to clean rooms and so forth. Our top two markets are automotive and the medical-life sciences-pharma sector, where we are the market leader.

What are the most important trends in robotics?

As with automation more generally, Industry 4.0, digital and smart factories are the major robotic trends. New safety functions in particular allow for new cell designs that reduce the need for ridged cages around the robots. This and other design simplifications allow for greater man-robot collaboration. Mobile robots are another current trend.

How are you able to keep pace with this rapidly changing technology?

By implementing new agile methods of product development, focusing on our core competencies and favoring cooperation and collaboration with partners and technology leaders.

Where do acquisitions figure in the further development of your robotics business?

While organic growth is the key growth vector for Stäubli, throughout our history we have acquired companies whenever we identified a strategic need. The same approach applies to robotics: if there is a need and a fit, we will look into an opportunity to build long-term business for the division and not only to boost short-term sales volume.

What's your view of the the price multiples that are currently being paid for robotics acquisitions?

Looking at some of the latest acquisitions, the price multiples are quite high and seem to reflect the potential rather than the current value. The automation industry is getting somewhat overheated in terms of M&A.

Yves Stäubli
President
Stäubli International AG

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SUMMARY AND OUTLOOK

Digitalization has become a driving force for innovation in every corner of the economy—industrial automation not least of all. Faster and more interconnected data processing technologies are creating new opportunities for the robotics industry, which will dramatically alter the way goods are produced, shipped and used. This will result in considerable creative disruption, forcing companies of all stripes to quickly adapt and anticipate trends.

Despite increasing competition within the ranks of the industry, the robotics sector will continue to grow.

The number of robot-related M&A transactions are also likely to increase, current high company valuations notwithstanding. Price multiples may even rise further, since there are still attractive targets on the M&A market. This presents sellers with an opportunity to realize an attractive valuation and find a strong partner, strengthening their hand in this exciting but volatile market.

M&A ACTIVITY

Hocoma

has merged with

DIH 蝶和医疗
Transform to Lead • Inspire to Win

ADVISOR TO HOCOMA

Healthcare

"For Hocoma, this is the next big step into the future," says Gery Colombo, the company's CEO.

In September 2016, Hocoma, a global leader in robotic and sensor-based rehabilitation solutions, merged with DIH International, a Hong Kong-based corporate holding group with offices in China, Korea, the Netherlands and the USA.

Hocoma was founded in 1996 by two electrical and biomedical engineers, Gery Colombo and Matthias Jörg, and by the economist Peter Hostettler. The Swiss-based medical technology company works closely with leading clinics and research centers to develop innovative therapies. It currently has over 160 employees, who work at its headquarters near Zurich and subsidiaries in the US, Singapore and Slovenia.

DIH focuses on rehabilitation solutions and medication management. Its robotic and sensor-based devices are used in applications ranging from intensive gait therapy and functional therapy for the upper extremities to robotic mobilization and functional electrical stimulation in early rehabilitation.

Prior to the Hocoma merger, DIH acquired two Dutch companies, Motekforce Link, a leader in virtual rehabilitation, and FysioRoadmap MRS, which specializes in web-based clinical programs and data integration. All told, DIH has nearly a thousand employees in locations including Amsterdam, Seoul and Beijing.

With regard to this merger, "For Hocoma, this is the next big step into the future," says Gery Colombo, the company's CEO. "Due to an aging society, the rehabilitation market is one of the biggest growth markets in the health industry. We can offer clinicians the best solutions for their patients as a holistic, full service provider of the entire rehabilitation continuum."

The combination, adds Jason Chen, CEO of DIH, "enables us to establish a global premiership in providing total solutions to customers with cutting-edge technologies in robotics, VR, sensing and automation."

Oaklins' team in Switzerland advised Hocoma's owners before and during the sales process, the negotiations with selected parties and the eventual merger with DIH.

MEET OAKLINS, THE WORLD'S MOST EXPERIENCED MID-MARKET M&A ADVISOR

Oaklins International offers the unparalleled resources of **700 merger & acquisition professionals** in **40 countries**. For over **30 years** we have seamlessly advised private shareholders, financial investors and corporate clients on acquisitions, divestitures and financing transactions. In the last five years Oaklins' member firms have closed more than **5,000 transactions**. We combine local market knowledge with our highly talented global industry specialists in **15 sectors**.

700 professionals

60 offices

40 countries

5,000+ transactions

15 sectors

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