

## INDUSTRIAL MACHINERY & COMPONENTS

Deal flash, November 2016

## PIPE FITTINGS SPECIALIST

### Deal snapshot

- Oaklins' team in Austria advised the shareholders of Erne Group GmbH on the sale of the entire group of companies to a private investment consortium.
- In 2015, Erne Group generated a US\$130 million turnover. The group has headquarters and two production sites in Austria, and production facilities and sales offices in Germany, Saudi Arabia and the USA.
- Due to a very high level of net debt and a volatile market situation, Erne Group was sold for only a symbolic price. A substantial capital increase of US\$22 million was negotiated and agreed with the investor. These additional funds provided by the new owner are intended to guarantee the group's further restructuring and will build a stable framework for future improvements as well as a sustainable increase in the company's value.
- The private investment consortium is owned by Austrian investor Stephan Zöchling, who also owns REMUS and SEBRING, engaged in the automotive industry and with a combined turnover of more than US\$100 million.
- Erne Group's lending banks faced a trade-off between a fresh capital injection and a substantial haircut. Oaklins' Austrian team was in constant negotiations with the financing partners to facilitate the transaction and find a reasonable solution for all stakeholders.



### What our client said



**Dr. Bernhard Baumgartner**, CEO, Erne Group GmbH, Austria

"Oaklins' Austrian team impressed us with their professionalism and commitment during our joint project. I want to thank them for their close support."



## Our role in the transaction

- Oaklins' team in Austria prepared all the transaction documentation and collected non-binding offers during the international market approach via Oaklins' worldwide teams.
- After preparing the data room, the Austrian team steered the process through the due diligence phase, including an intensive Q&A process. The binding offers were negotiated with two bidders, which were top ranked by the client, and the best fitting investor was found.
- Prior to the sale and the capital increase, the team advised Erne Group on restructuring/financing issues and the implementation of various optimization measures.

---

## Market trends and deal drivers

- The fittings market is divided into an internationally standardized product range and highly specialized, tailor-made products. While the first segment is dominated solely by the large industry leaders, small niche players are still able to find their position among the specialized products.
- Significant correlation exists with additional industries such as metal processing, oil & gas, energy, industrial machinery and automotive.

---

## M&A valuation aspects

Based on received binding offers, Erne Group was valued with an entity value of 4.0x–6.5x EBITDA. As a traditional family-owned company, the shareholders' key goal was to ensure that the new owner would be able to live up to the renowned brand name "Erne" and would guarantee the highest standards in quality.

---

## Oaklins industry specialist



✉ **Florian von Alten**, Managing Partner, Industrial Machinery & Components Specialist, Oaklins, Germany

Florian has extensive experience in the industrial manufacturing, machinery, engineering, precision metal processing, tool manufacturing, injection molding and electronics sectors. He has advised numerous clients on cross-border transactions including The Robbins Company, PRAE-TURBO Group and Langley Holdings plc.

# OAKLINS HAS CLOSED 69 DEALS IN INDUSTRIAL MACHINERY & COMPONENTS IN THE LAST FIVE YEARS

Oaklins is the world's most experienced mid-market M&A advisor, with 700 professionals globally and dedicated industry teams in 40 countries worldwide. We have closed over 1,500 transactions in the past five years.