

INDUSTRIAL MACHINERY & COMPONENTS

Deal flash, November 2016

MERGER BETWEEN US AND CHINESE TBM MANUFACTURERS

Deal snapshot

- The Robbins Company (Robbins) has merged with China's Northern Heavy Industries Group Co., Ltd. (NHI). NHI now has a 61% equity interest in Robbins with 39% retained by Robbins' previous shareholders.
- Headquartered in Solon, Ohio, with factories in Kent, Washington, and Fayetteville, West Virginia, and operations worldwide, Robbins is the world's foremost developer and manufacturer of large-diameter hard-rock tunnel boring machines (TBMs). The company also designs and manufactures continuously extending conveyors for use behind TBMs. Robbins sells its TBMs worldwide for large highway, railroad, hydroelectric and utility tunnels. The Chunnel connecting England and France was excavated using Robbins' TBMs.
- NHI, headquartered in Shenyang, China, is a wholly state-owned company established through the combination of Shenyang Heavy Machinery Group Co., Ltd. and Shenyang Mining Machinery Group Co., Ltd. In 2007, NHI acquired NFM Technologies, a French TBM manufacturer, and became an international enterprise. In 2009, NHI became one of the top 500 Chinese enterprises, ranking among the top three in the Chinese heavy machinery industry. NHI manufactures approximately 7,000 products for power production, building materials, metallurgy, mining, ports, environmental protection, forging, fracturing equipment, coal machinery, transmission machinery and tunneling. NHI has facilities for design, test, inspection and measurement, R&D and manufacturing operations.



What our client said



Lok Home, President, The Robbins Company, USA

"Oaklins' team in Cleveland, working with other Oaklins member firms, were outstanding advisors for The Robbins Company in this merger. Their industry expertise and ability to operate effectively in China enabled us to close a very successful deal. We could not be more pleased with the outcome and the services provided by the teams."



Our role in the transaction

- Oaklins' team in Cleveland acted as lead strategic and financial advisor to The Robbins Company in the merger with NHI.
- Oaklins' teams in Hong Kong, China and Germany provided strategic support and cross-border expertise throughout the transaction. This deal is another example of the seamless cooperation between Oaklins' member firms, demonstrating the organization's added value through its global execution capabilities, industry expertise and contacts.

Market trends and deal drivers

- The need for tunneling machines continues to grow as urbanization creates the need for more subways, underground trains and highways, and hydro-electric tunnels.
- Chinese strategic buyers continue to show interest in certain US businesses.
- Following the merger with Robbins, NHI plans to combine its three TBM business units (Robbins, NFM and NHI TBM) into a separate entity to IPO on the Shanghai stock exchange. This could happen three to five years from now.

M&A valuation aspects

- Robbins was of strategic interest to NHI. The combination of the two companies should facilitate worldwide synergistic growth and development. After discussion with numerous strategic and financial prospects, NHI offered the most compelling benefits of a merger.
- Because of Robbins' valuation challenges, such as cash flow cyclicality and significant working capital needs, the closing value was based on a multiple of the average EBITDA over the previous three years, as well as the prospects for growth and development as a combined enterprise.

Oaklins industry specialist



✉ **Mark Filippelli**, Managing Director, Industrial Machinery & Components Specialist, Oaklins, USA

Mark is committed to serving capital equipment clients. He has more than 35 years of investment banking and financial advisory experience, during which he has personally completed over 130 merger and acquisition transactions.

OAKLINS HAS CLOSED 68 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.