



M&A Facts 09/2021
Electronic Manufacturing Services

EMS Sector M&A-Highlights and Market Insights

Data source: S&P Capital IQ. Analysis by Proventis Partners.

- **Valuations of publicly-listed EMS companies** declined from the peak of ~17x EBIT reached in the second half of 2020, but remained high at ~11x EBIT, achieving the best first half in three years.
- **In the EMS peer group**, Chinese Goertek recorded a significant drop from ~30x to ~21x EBITDA but remained the highest valued company. Contrary to the overall trend, Fabrinet, Plexus and Sanmina were valued higher. Celestica remained at the end of the peer group with below 5x EBITDA.
- **The M&A market** saw a significant decline in EMS transaction activity in 2020 as the global Covid-19 pandemic negatively impacted deal flow. However, there are clear signs of recovery in the first half of 2021, with deal value rising to €1.8bn, already exceeding the total value for 2020.
- **M&A transaction valuations** surged from ~7x EBITDA in 2020 to ~10x EBITDA this year, indicating a healthy appetite for attractive targets. While 2020 was dominated by small-cap transactions, mid-cap deals have made their return this year.
- This analysis indicates that most EMS targets (~90%) are acquired by strategic investors, while financial buyers seem to be willing to pay significantly higher multiples (~17x vs. ~9x EBITDA). Deal activity is spread evenly across Asia / Pacific, North America and Europe. However, Asian EMS targets seem to be valued considerably higher than its competitors (~12x vs. ~7x EBITDA).
- **Operating financial metrics** – Large and medium-sized EMS companies continue to be significantly more profitable, as shown by EBIT margins of 6% and 7% respectively, while smaller companies only achieve close to 2%. The Debt/EBITDA ratio declined to 1.7x for large caps, remained stable at 1.6x for mid caps and rose to 2.8x for small caps.

Global EMS Sector Peer Group

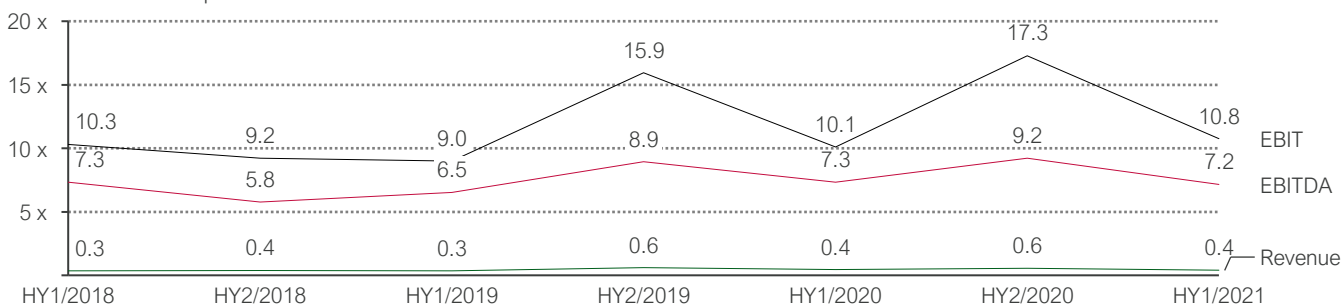
Note: TEV = Total Enterprise Value. LTM = Last Twelve Months. HY = Half-Year. Data source: S&P Capital IQ. In €m.

Company Name	Country	Market Cap Last	TEV Last	Total Revenue LTM	EBITDA LTM ¹⁾	TEV/EBITDA HY1/2021	TEV/EBITDA HY2/2020	TEV/EBITDA Trend
Foxconn Industrial Internet Co., Ltd.	China	32,208	27,006	58,393	2,639	7.6x	22.3x	↓
Goertek Inc.	China	18,596	18,451	8,333	751	20.5x	30.0x	↓
Flex Ltd.	Singapore	7,368	8,928	20,554	1,176	6.2x	7.5x	↓
Jabil Inc.	United States	7,294	9,068	23,863	1,619	5.1x	5.1x	↓
Venture Corporation Limited	Singapore	3,499	2,930	1,917	233	11.1x	14.8x	↓
Fabrinet	Cayman Islands	2,982	2,595	1,505	148	17.4x	16.0x	↑
Plexus Corp.	United States	2,204	2,195	2,962	217	9.4x	8.5x	↑
Sanmina Corporation	United States	2,139	2,002	5,941	358	5.4x	4.5x	↑
Benchmark Electronics, Inc.	United States	860	723	1,769	82	6.8x	10.0x	↓
Celestica Inc.	Canada	848	949	4,717	189	4.6x	4.6x	↓
Median						7.2x	9.2x	

1) EBITDA LTM does not include income (loss) from affiliates.

EMS Sector Peer Group Trading Multiples

Data source: S&P Capital IQ.



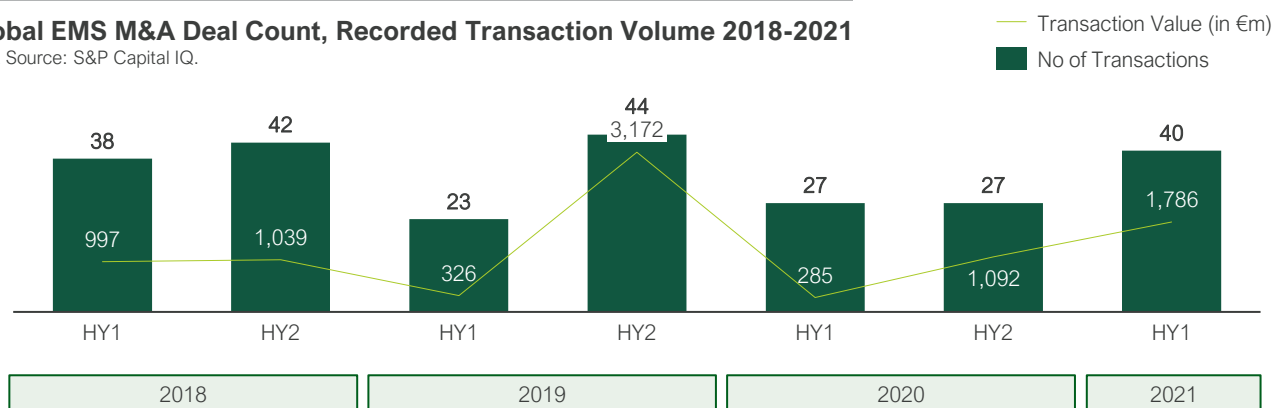
Recent EMS M&A Transactions

Note: Selected transactions announced during the last twelve months. EV = Enterprise Value in €m. Data source: S&P Capital IQ.

Announced Date	Target	Target Country	Acquirer	Acquirer Country	Acquired Stake (In %)	Total Transaction Value	Implied EV/ EBITDA
02.02.2021	Guangdong Desay Group Co., Ltd.	CN	Huizhou Deheng Industrial Co., Ltd.	CN	51	996	n/a
04.01.2021	SMTC Corporation	US	H.I.G. Capital, LLC	US	100	222	9.2
25.06.2021	Neways Electronics International N.V.	NL	Infestos Sustainability B.V.	NL	100	213	11.8
31.05.2021	Semisysco Co., Ltd	SK	IM Holdings Co., Ltd.	SK	40	23	n/a
22.02.2021	Preventpcb srl	IT	NCAB GROUP ITALY S.r.l.	IT	100	21	n/a
16.01.2021	Shanghai Core-stone Semiconductor Co., Ltd.	CN	Shenzhen Yitao Intelligent Control Co.,Ltd.	CN	24	13	n/a
02.06.2021	iPRO Holdings Ltd.	UK	NOTE AB	SE	100	11	n/a
29.07.2021	TeraTron GmbH	DE	TXT e-solutions S.p.A.	IT	100	10	7.2
03.03.2021	Cicor Technologies Ltd.	CH	OEP Capital Advisors, L.P.	US	29	n/a	n/a
06.07.2021	Promark Electronics inc.	CA	Electrical Components International, Inc.	US	100	n/a	n/a
24.06.2021	sas - electronics GmbH	DE	NCAB Group Germany GmbH	DE	100	n/a	n/a
14.05.2021	JJS Manufacturing Ltd	UK	ESCATEC Sdn. Bhd.	MY	100	n/a	n/a
10.05.2021	Gspk Design Limited	UK	GSPK Circuits Ltd.	UK	100	n/a	n/a
04.05.2021	Solid Semecs B.V.	NL	Sero GMBH & Co. KG	DE	100	n/a	n/a
15.03.2021	Altron Inc.	US	VirTex Enterprises LP	US	100	n/a	n/a
10.03.2021	Varitron Technologies Inc.	CA	East West Manufacturing, LLC	US	100	n/a	n/a
05.03.2021	Bela Electronic Designs Limited	UK	Vanilla Electronics Limited	UK	100	n/a	n/a
08.02.2021	SCAITA SAS	FR	Estelec Industrie Sàrl	FR	100	n/a	n/a
04.02.2021	National Circuit Assembly, Inc.	US	9D Services, LLC	US	100	n/a	n/a
05.01.2021	Applied Engineering, Inc.	US	CREtelligent, Inc.	US	100	n/a	n/a

Global EMS M&A Deal Count, Recorded Transaction Volume 2018-2021

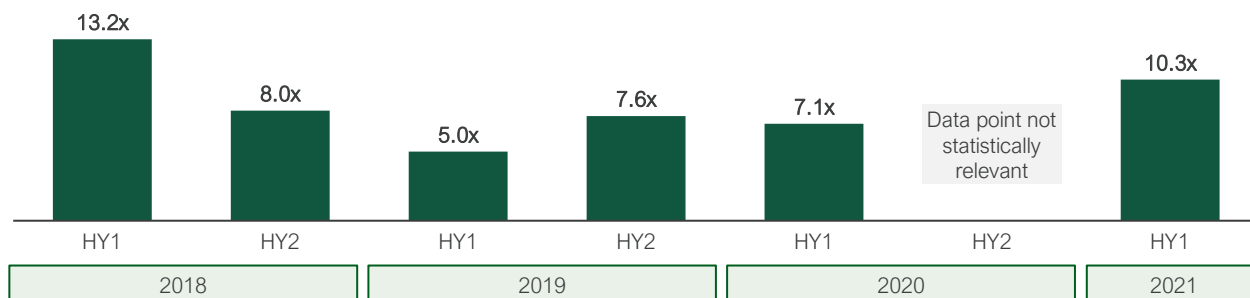
Data Source: S&P Capital IQ.



Global EMS M&A Transaction Multiples 2018-2021

Implied Transaction Enterprise Value / EBITDA of announced transactions with disclosed multiple.

Data Source: S&P Capital IQ.



Global EMS Sector Operating Financial Metrics

in €m or % where indicated. Data source: S&P Capital IQ.

Company Size

Small Cap



- ▶ Revenue in €m 1 to 250
- ▶ Average Revenue in €m 141
- ▶ Number of companies 73

Mid Cap



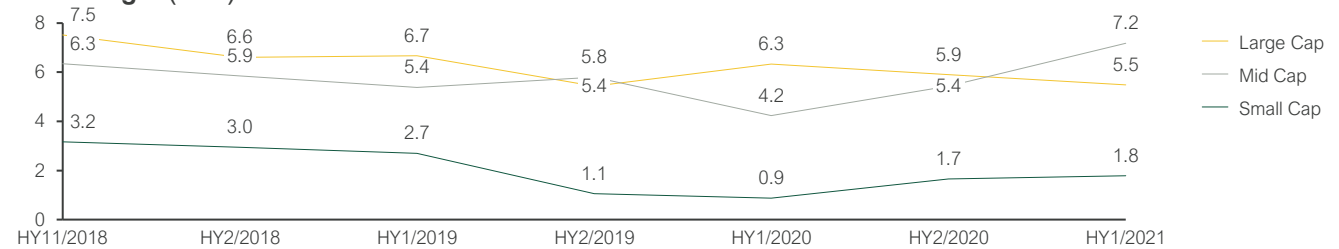
- ▶ Revenue in €m 251 to 2,500
- ▶ Average Revenue in €m 1,035
- ▶ Number of companies 32

Large Cap

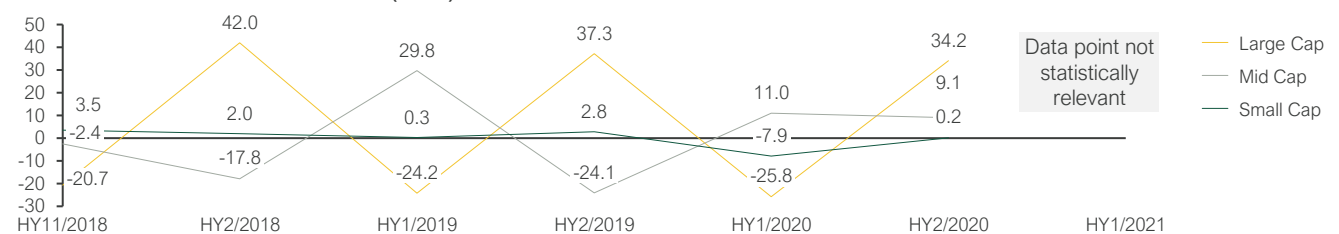


- ▶ Revenue in €m >2,500
- ▶ Average Revenue in €m 24,225
- ▶ Number of companies 13

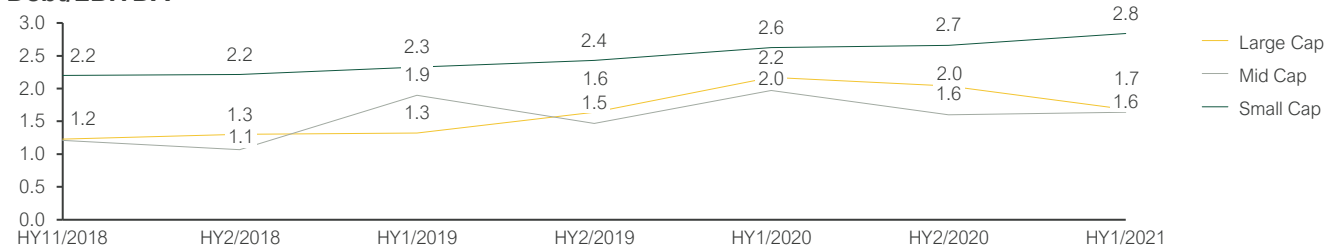
EBIT Margin (in %)



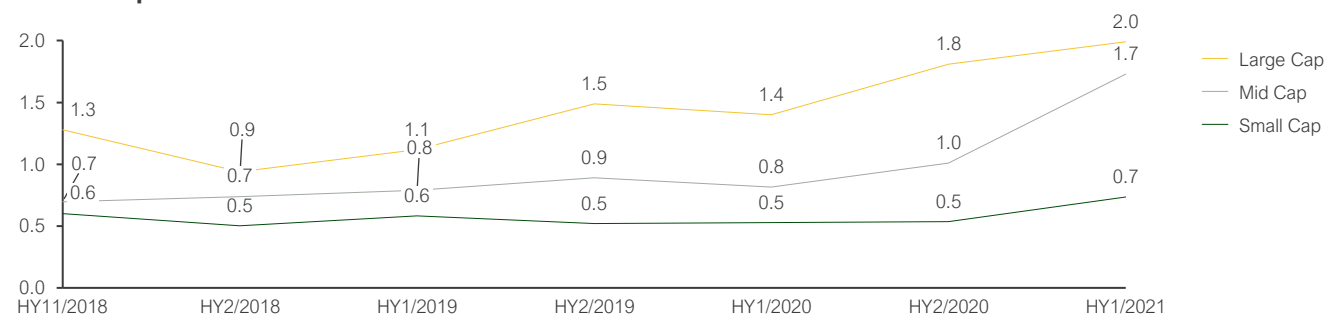
Year-on-Year Revenue Growth (in %)



Debt/EBITDA



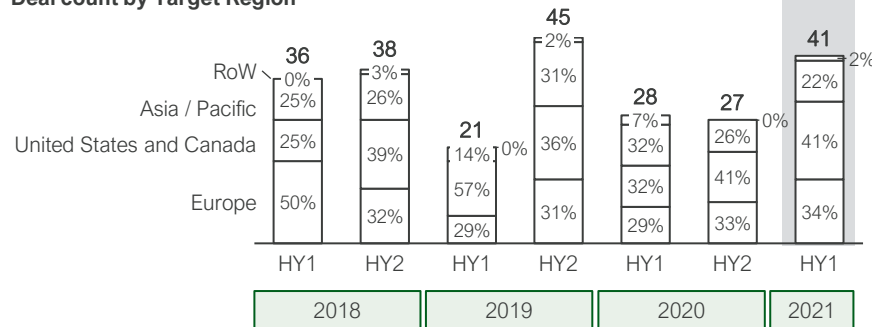
Market Capitalization/Revenue



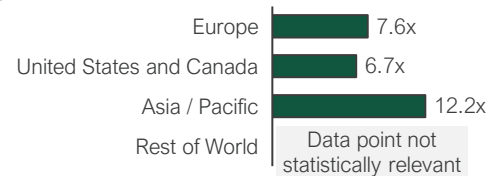
Global EMS M&A Deal Analysis

Announced transactions. Implied M&A Enterprise Value / LTM EBITDA of announced transactions with disclosed multiple.
Data Source: S&P Capital IQ.

Deal count by Target Region

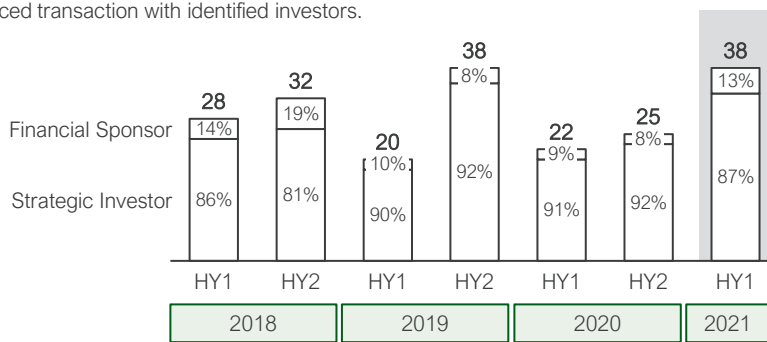


EBITDA Multiple (LTM) by Target Region

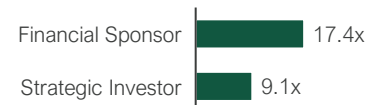


Deal count by Investor Type

Announced transaction with identified investors.

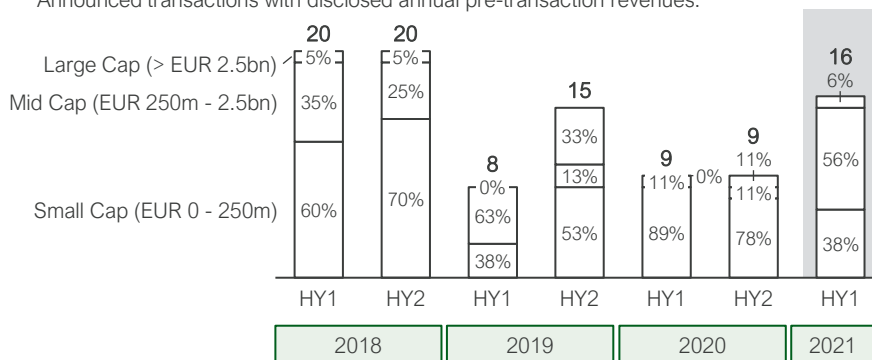


EBITDA Multiple (LTM) by Investor Type

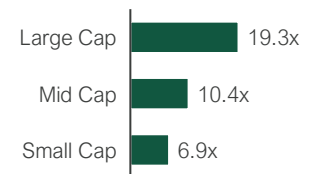


Deal count by Company Size

Announced transactions with disclosed annual pre-transaction revenues.



EBITDA Multiple (LTM) by Company Size



Notes

The analysis considers announced transactions only. Recent Transactions and Multiples only include transactions with available Enterprise Values (EV).

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