

# Testing, Inspection, Certification

## Industry and M&A Update

2018

### TIC valuations at historic highs. For how much longer?

The M&A market for Testing, Inspection, Certification (TIC) has become even more favorable for sellers: a large number of transactions and valuation multiples are at historic highs, as trade-buyers target external growth and Private Equity (PE) eagerly pursue buy & build projects. We expect buy-side demand to remain extremely supportive in what is still a widely fragmented industry, where all of the large and mid-sized players are targeting double-digit growth rates.

#### Key insights:

- Globally, it is full steam ahead for the M&A market thanks to a pickup in economic activity, a wider availability of low-cost financial debt (mostly 'bullet' and 'covenant light') and the growing presence of PE firms in the market.
- The TIC sector is especially hot and seeing historically high returns for investors, due to extremely strong and resilient industry fundamentals.
- Together the top 12 market leaders have closed more than 500 transactions since 2010. Interestingly, most are also embarking on strategic reviews to define 5-year plans: tapping new growth areas, developing and streamlining organizations (eg. digital capabilities) and considering divestments of single digit EBIT-margin businesses.
- PE funds are aggressively seeking buy & build projects in the mid-market, where many dynamic high-growth companies with revenues of €10m to €100m are emerging. Around 70% of all TIC companies with revenues of €50m to €1bn are already owned by financial investors.
- Listed players are being valued at 16x EBITDA, on average, while transaction multiples have increased by 10% to 20% over the last three years - at 8x EBITDA for small-caps, and 11x for midcaps.
- Digitalization is a game-changer, and making a big impact on the customer offer. The industry is moving away from traditional legacy control and inspection services towards more sophisticated and integrated solutions.
- In the current market environment the hottest segments for acquirers include building & infrastructure, which are both back on track; security; health & safety; energy efficiency; and also food & pharma.
- We expect the M&A market for TIC to be even more active in 2018, as the industry tackles digital transformation and the bullish fundamentals continue to improve.



**Michel Degryck**  
Managing Partner, Capitalmind

*"We are witnessing especially high buy-side demand in the TIC market from both PE investors and listed strategic acquirers. This is boosting valuation multiples for sellers, which are already at historic highs - although deal quality is dependent on various factors such as segment, capacity to scale up and the client value proposition. We expect 2018 to be even more active than 2017, as the bullish fundamentals continue to improve."*

## Key takeaways



### Growth

The TIC market grew by ~5.5% in 2017 – a bullish growth trend that is forecast to continue in 2018 and beyond



### Market drivers

Positive global trade outlook, increasing standards/quality/security, ageing Infrastructure, customer outsourcing, rise of emerging markets



### Digitalization

The game is changing with the introduction of innovative new digital tools, big data collection & analysis, and greater connectivity between customers and suppliers



### M&A

Valuations for listed peers have increased by ~20% over the last two years, while transaction multiples are ranging between 8x and 12x EBITDA. Aggressive buy & build strategies led by PE funds are supercharging the market

## Capitalmind's selected credentials in the TIC sector

 acquired  from 	 sold to 	 sold CEP Industrie to 	 sold to 	 sold  through a MBO 
Food testing	Rail inspection & certification	NDT services	Electrical inspection	Portable instruments
 sold  to 	 sold  to 	 sold to 	 sold  to 	 sold the pharma. development activities of  to 
Environmental testing	Infrastructure testing	Food cargo inspection	Oil cargo inspection	Pharmaceutical testing

## Contact us

Capitalmind has extensive experience in the TIC market, having performed 20+ deals in this industry in recent years.

Our connections to buyers are especially strong, and our large database and research function gives us superior market insights to optimize transaction conditions for small and mid-sized clients.



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- 200+ closed transactions in the last 5 years - 500+ since 1999
- Worldwide access to strategic/financial players and likely buyers
- Team of 60 experienced professionals in Europe; plus 300 worldwide, via our international partnership
- European Headquartered advisory firm, with offices in Benelux, France, Germany & the Nordics
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