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INSIGHTS

SELECTED ACQUISITIONS H1 2024

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M&A report H1 2024 (short version)

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Note: Analysis in this report relates to numbers of deals, not value of deals.

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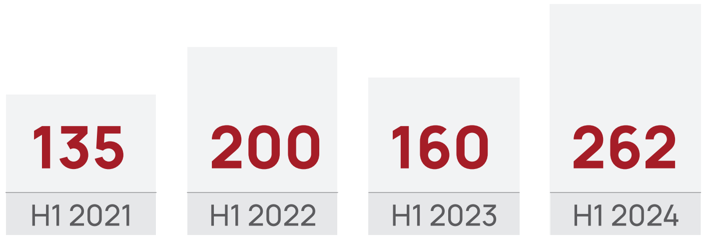
H1 2024 TICC M&A

By **Talal Yousef**
CEO
Red Swan Partners

"The TICC landscape is undergoing significant change, with new leadership and growing PE influence shaping the industry. The future looks set to focus on strategic priorities, increased competition through consolidation, and exciting innovations in areas like AI, ESG, and cybersecurity.

MARKET OVERVIEW



Average Number of M&A Deals Comparison

This chart compares the number of M&A deals in H1 2024 with the average number of deals during the first halves of the years 2021, 2022, and 2023.

AWAKENING GIANTS

While the economic challenges of the past 2 years continue to give a hangover to the M&A market, there are now some growing signs of an economic recovery. In addition, the recent leadership changes and a revitalised focus on M&A in **SGS** and **Bureau Veritas**, being 2 of the top 3 leading TICC global players over €5Bn, may well provide some change in near to medium-term M&A activity. These two stalwart organizations have for the past 25 years been the true standard-bearers in the industry, with sustained healthy growth and a broad sector portfolio across the full TICC activities. While they have always deployed an M&A strategy, this was considered more of an opportunity to bolster their strong organic growth, than a recognized attempt to build scale fast. In comparison **Eurofins** (the other top 3 player) had always set a far more ambitious growth plan where M&A was used to scale quickly albeit in a far more restricted scope of Life Sciences Testing, and from relatively obscurity 25 years ago is now, it is now vying for pole position, along with **SGS**, to be the global TICC leader.

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Leadership changes in key players like SGS and Bureau Veritas could reignite the sector's M&A momentum.

FINANCIAL SPONSORS IN THE TICC SECTOR

Understandably financial sponsors were not slow in recognizing the unique growth dynamics of the TICC sector and deployed increasing amounts (up to c.80% of all current TICC deal volume) in buy-build platforms, which due to the fragmentation of the market have now amalgamated into scale players at close or exceeding €1Bn with **Socotec**, **Element**, **Apave** and **Kiwa**.

Applus will now take the lead of this group at (>€2Bn) after being taken private by Amber Equity, further demonstrating the dynamism in this sector. These financial players are closely followed by a clutch of PE-backed platforms exceeding €0.5Bn that are intent on catching up, including Rina, **Amspec**, **LRQA**, **Normec**, **Phenna**, with seasoned players like **QIMA**, **Tentamus** and **GBA** moving up in contention. Not surprisingly there is a steady stream of new platforms being created, keen to not miss out and to imitate the much-heralded success of the existing financial sponsor platforms.

Phenna Group's leadership evolution reflects a clear strategic intent to pursue larger, more transformational deals, positioning the company for future growth and potential exit strategies. This signals that **Phenna**, like many other key players, is preparing for the next phase of its journey, possibly with an eye on significant market consolidation or a major exit event in the near future.

VALUATION MULTIPLES

The fact that **SGS** and **Bureau Veritas** have now directly stated their intention to reboot their M&A ambitions is perhaps both a recognition to the ground lost over the past years to aspiring financial sponsors and the need to bolster their growth (understandably diminished by recent economic events). This new direction particularly in new targeted growth market in North America (an increasing trend also from PE platforms such as **Normec**, **LRQA** and **Phenna**), will re-introduce an added level of competition to the marketplace, and drive gravity-proof valuation multiples for those quality TICC assets that come to market.

With PE platforms becoming increasingly aggressive, the pressure is on for traditional TICC leaders to keep up in both valuation and market positioning.

M&A STRATEGIES

What continues to be clear is that the more subdued market ratings of the listed TICC players due to past economic conditions will not only continue to drive more disciplined M&A, but also greater internal focus, resulting in the strategic streamlining of their broad portfolios. We are seeing increasing divestment activity between TICC players, which will inevitably become more regular, given the logic of delivering greater focus and divesting what in many cases are challenged assets to better-owners more suited to develop them.

This is perhaps a salient lesson that can be learnt by the ambitious financial sponsors, that pursuing a focused portfolio, rather than a pursuit of growth alone, will avoid the necessary pruning required when the non-core businesses start to misfire. **Element** (a former PE platform) have been seen to divest certain non-core businesses following their acquisition by Temasek Singaporean sovereign fund, and further divestments are expected in H2 2024 showing that the need to portfolio-manage is a fundamental discipline that in time comes to us all!

FUTURE OUTLOOK

The activity already witnessed in 2024 and the usual conveyor-belt of deals preparing for post-summer launch confirms that the TICC space continues to remain an attractive prospect, since its fundamental driver of regulation and the criticality in securing peoples' lives and future is undiminished. The remaining fragmentation of the TICC market which continues to satisfy the growth demands of the existing listed, private and financial sponsors, will undoubtedly continue to attract fresh financial sponsors desperate to deploy their increased capital, and will keep the TICC M&A sector both dynamic and exciting.

TRENDS AND THINGS TO LOOK OUT FOR

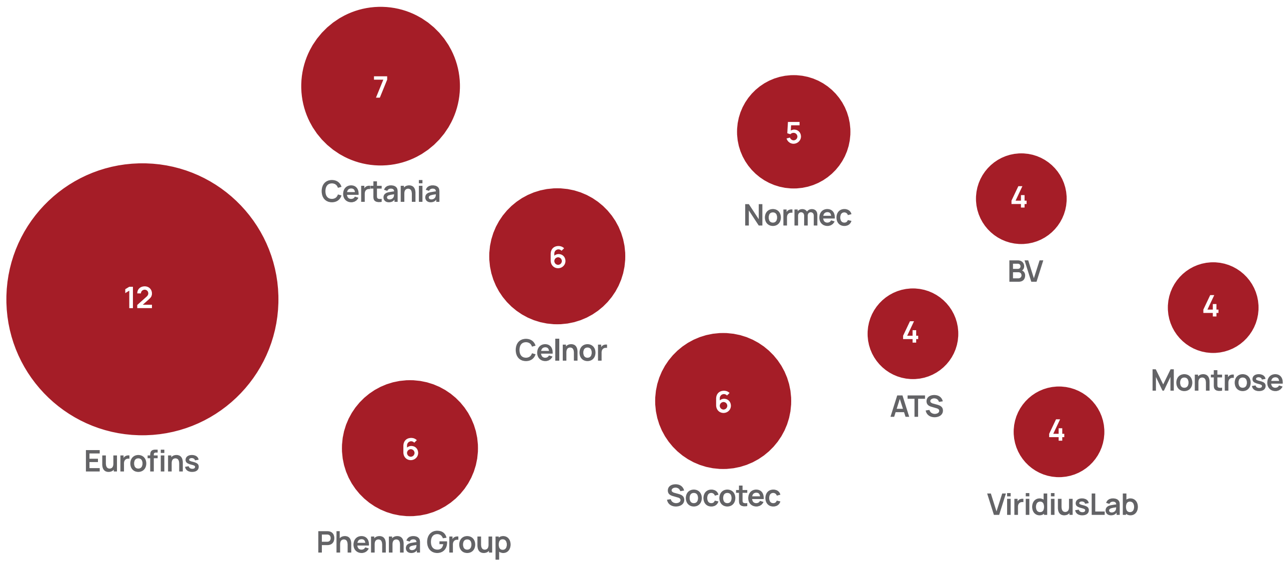
In the evolving landscape of the TICC sector, several emerging trends and platforms are reshaping the boundaries of the industry. One example is **Celnor**, a new platform backed by **Inflexion**, which has quickly established itself with a series of acquisitions.

We're also seeing a growing interest in public-to-private deals, like **Marlowe'**s recent transition, which signals a stronger push towards private equity-driven strategies. In some cases, this shift may broaden the definition of TICC to include areas typically viewed as Facility Management (FM) or Technical Services. Where compliance used to focus on environmental concerns like asbestos and legionella, it's now expanding to cover areas such as alarms, smoke detection systems, and risk assessments—fields that weren't traditionally considered part of the TICC space.

In addition, cybersecurity and AI are becoming key focus areas. The rapid development of AI presents both a challenge and an opportunity for the sector, with future certification likely focusing on ensuring these systems meet ethical and safety standards. This could open up a significant growth avenue for certification bodies.

Meanwhile, the emphasis on ESG factors is becoming a core requirement for companies, driven by both regulatory pressure and investor demand. ESG is no longer just a "nice-to-have"—it's essential. This shift is creating new opportunities for TICC firms, with certifications in sustainability and governance becoming critical components of compliance portfolios.

H1 2024 (VS H1 2023) DEAL ACTIVITY



TOP 10 ACQUIRING COMPANIES H1 2024

These numbers were publicly reported, and it is expected more deals are completed but not announced.

Eurofins retains its leading spot in TICC activity and while the actual executed deals is likely to be higher than the 12 so far publicly reported, this is still down on the previous H1/23 of 18 deals. This slow-down within Eurofins is perhaps predictable given its historic high level of acquisitions activity which have largely achieved its scaled-up Life Science platform with future deals only to provide geographic fillers or capability extensions.

Certania's rapid expansion, highlights its ambition to dominate the Life Sciences sector through strategic acquisitions.

Straight in at number 2 was German PE platform **Certania** backed by Greenpeak and Summit Partners with 7 transactions (none in H1/23), using the new financing it raised late last year, to focus on its Life Science centric strategy, with deals including Dutch based Triskelion.

Phenna backed by Oakley Capital continued its aggressive growth strategy and completed a similar 6 deals. The overseas nature of these transactions marked a stark trend with only a single UK transaction, with Phenna broadening its global presence investing in Peru, Australia, Singapore and Indonesia.

Celnor, Inflexion backed UK buy-build start-up, which only started late last year, delivered 6 transactions focused on Compliance and Geo & Built

Environment, equalling their aggressive number of deals in H2/23. What is remarkable is the ability of such PE platforms to quickly deploy their PE backer's capital in their chosen sectors and aggressively consolidate the still fragmented marketplace. Against this ambitious investment strategy of financial sponsors, the more traditional listed TICCs need to work hard to compete.

Socotec's acquisition tally was 6 down from 8 in H1/23 with their focused M&A strategy continuing to reflect they are nearing the end of their current PE vesting cycle with Cobepa and CD&R.

Normec's aggressive acquisition strategy, signals its intent for rapid growth, with larger deals on the horizon.

Normec, the Dutch platform, which has recently been refinanced by is PE backer Astorg continued its acquisition strategy with 5 deals (up from 2) in Europe and is exploring expansion opportunities in the US. With Astorg as a major shareholder, Normec has more than quadrupled in size over the past few years, thanks to an aggressive acquisition strategy with more than 12 acquisitions in the past year, putting it right up there with the leaders in overall M&A activity.

Bureau Veritas' recent changes in leadership along with a promised reboot to their M&A engines, saw the activity for **BV** achieve 4 deals (up from 0); **ALS** Limited with 3 transactions (down from 5) and **White Lab SPA**, owned by White Bridge Investments II, completed 3 deals in Italy.

A more muted response was seen by **SGS** with 1 deal (down from 2), although they have since impressed their M&A credentials with 3 transactions completed in early July. A recent press release from SGS announced an unexpected U-turn to its divestment of its Global crop testing business to Eurofins (previously announced in Dec-23), perhaps demonstrating the latitude that the new leadership have, to plough their own field, even at the expense of killing deals signed by their predecessor.

AGQ Lab's latest moves into its inorganic growth strategy signal its ambition to become a global player, pushing the boundaries of environmental testing.

There was continued activity in Environmental services players with **ViridiusLab AG**. Based in Austria, this owner-managed testing laboratory group completed 4 acquisitions in 2024, and listed **Montrose Environmental Group** delivered 4 deals (last year 3). **Alliance Technical Group** owned by Morgan Stanley Capital delivered 2 deals (last year 3), **RSK Group** 1 deal and **AGQ Labs**, a family owned business with labs in 10 countries, completed 1 deal in H1 2024 2 in H1/23.

Applus+ activity fell to 1 (previously 4), now that Amber Equity has been triumphant in taking this listed TIC private, we await to see whether this move leads to a fresh acquisition strategy, or restructuring, with more additional divestment opportunities following the divestment of their vehicle inspection business.

Tentamus continued to expand its global soft-integrated network albeit at a lower beat of 2 deals consistent with last years, while **Kiwa** transacted 1 transaction (last year 2). As previously noted, **Element** who in the past were prolific in their acquisition strategy had no activity. However they are rumoured to be involved in some select divestments in an attempt to refocus parts of their business whilst perhaps reducing the debt position arising from their premium FY22 sale to Temasek.

The TIC foundation players made progress: **TUV Sud** at 3 deals (up on last year's 1), while **TUV Nord** and **TUV Rheinland** shared a deal a piece down from last years 2. **UL**, who listed this year delivered 1 deal, as did the scale player **Intertek** who as in the past years has followed a more restrained M&A strategy.

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Red Swan Partner's Exit Readiness Assessment provides business owners with an objective assessment of their business. It answers three key questions:

- Is my business ready for an exit?
- Has the value of my business been maximised?
- Are there areas that need improving?

RSP has identified 4 key parameters and 12 areas all of which drive value and need to be examined and analysed.

For More:
https://www.redswanpartners.com/exitreadinessassessment

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We are a dynamic team of individuals who have come together from all around the world to form Red Swan Partners. We have all worked in the Testing, Inspection, Certification and Compliance sector.

We have varied areas of expertise and partner together to change lives.

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