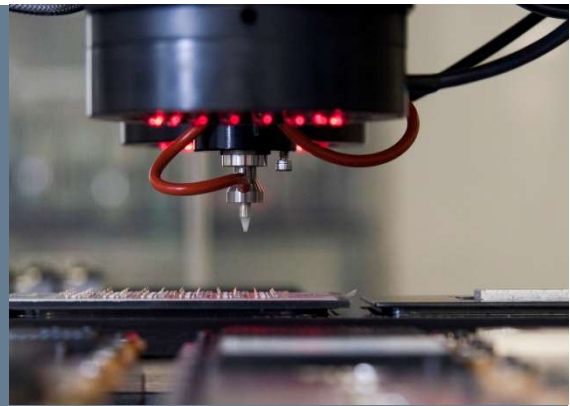


ELECTRONICS: A BEACON OF LIGHT IN UK MANUFACTURING



Manufacturing output is down, the economic outlook is uncertain, margins are being squeezed, and geopolitical concerns weigh heavily on the manufacturing sector. So why is it that electronics continues to grow?

News headlines have been shouting: “manufacturing is struggling” and “the M&A market is in decline”. Of course the headlines contain some truth, but a closer look reveals they are far from the whole story.

In reality, performance and outlook vary enormously by subsector. Basic metals, metal products, and automotive have experienced significant headwinds, but amidst the gloomy headlines, electronics is a beacon of light.

Electronics is the star performer in manufacturing, with 10% growth in output in 2018, and 4.3% in 2019, according to Make UK/BDO’s Manufacturing Outlook report. The electronics sector has continued to operate in its own niche within the global market place largely driven by its position as a provider of key inputs for automation technology.

The opportunities available from digitalisation and automation are immense for manufacturing businesses and are providing strong order books for those involved. This backdrop is encouraging a growth outlook for electronics, which is forecast to grow by 12% over the next year.

Those companies connected to the automation sector are hot property. A recent Mergermarket report into the Advanced Manufacturing & Technology sector, found that nearly half of respondents to the survey expect growth to come through M&A, and that automation is the key technology to be prioritised for investment in the next three years. The second priority is big data, including machine learning and AI, to gain actionable insight across every area of the business.

Going forward, we expect to see continued high levels of interest from both private equity and corporate investors in electronics industry. Already, we have seen a 50% increase in electronics transactions across the globe in 2019 and more than doubling of transaction volumes in the UK market.

The UK electronics sector will not be completely immune to global trade wars, nor to stiff competition from overseas firms, in particular China. Furthermore, as UK companies are often in the middle of overall manufacturing chain and import over 50% of their supply, the sector remains sensitive to exchange rate deterioration and changes in import tariffs. While these factors may lead to a slower pace growth in 2020, we expect new technology adoption to underpin a bright future.

REASONS FOR SALE

“ There exist significant opportunities within the electronics sector for operators who can offer innovation and creativity, with OEMs across the Globe choosing to partner with Connexion Technologies for their manufacture. We are part of a UK sector that offers innovation, service excellence and improved time to market compared to overseas competition. We continue to see significant growth in low to medium volume production where we support through the complete product lifecycle for our customers. Electronics is a thriving and essential part of the UK manufacturing engine with 90% of our customers products supporting global, life and mission critical applications. ”

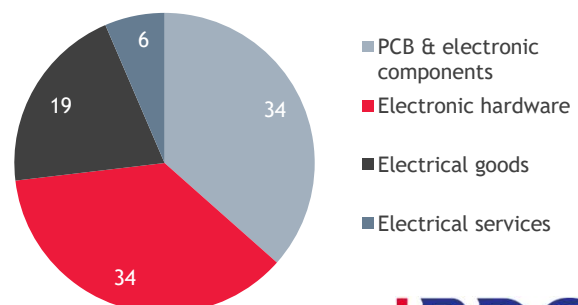
**Craig Wright | Chairman & CEO
Connexion Technologies**

M&A SNAPSHOT

Based on the first 9 months of 2019, we have seen:

- ▶ 50% increase in global electronics deals in 2019 compared to 2018
- ▶ 93 M&A deals worldwide
- ▶ 32 UK deals
- ▶ Number of UK transactions has more than doubled
- ▶ 65% of all deals in the sector are cross-border transactions

GLOBAL ELECTRONICS DEALS BY SUBSECTOR, 9 MONTHS TO SEPTEMBER 2019



Our Industrials team was established to work with leading midmarket privately owned businesses and private equity who, like us, believe strongly in the opportunities available in the sector.

BDO UK

ADVISED **427** INDUSTRIAL DEALS
IN THE LAST 10 YEARS

28% M&A DEALS
INVOLVED PRIVATE EQUITY

BDO INTERNATIONAL


ADVISED **1,816** INDUSTRIAL DEALS
IN THE LAST 10 YEARS

22% DEALS
INVOLVED PRIVATE EQUITY

“ BDO were instrumental in sourcing and approaching acquisition opportunities on our behalf and in providing corporate finance advice which led to the successful acquisitions of Custom Interconnect and Castle Microwave. I found the BDO team to be commercial, pro-active and to approach targets with great care and tenacity. They have continued to share deals and market knowledge over a decade long period and essentially serve as an outsourced M&A function to our Group. I am not aware of an equivalent service available elsewhere and would recommend this service to anyone who is serious about undertaking an acquisition strategy. ”

Craig Wright | Chairman & CEO, Connexion Technologies


A SELECTION OF BDO DEALS

Castle
MICROWAVE CABLES 

MBO / MBO of Castle Microwave to Craig Wright Industries, an industrial group focused on electronics and electronic components

CREDO
PARTNERS 

Acquisition of Elscoop Group AS, electrical installation & service supplier, by Credo Partners

VORWERK 


Acquisition of Huber-Schindler, Swiss distributor of Thermomix products by Vorwerk & Co KG

connect 

Sale of TS Connect, distributor of electronic cables to KVE Kvarlselektronik

FINELINE
EXCELLENCE IN PCB 

Acquisition of QPI Holding BV, a Dutch PCB trading company, by Finline Global

Ellard 


Sale of Ellard, specialist manufacturer of drives, motors and controls to Indutrade AB

Vallentinelektronik 

Sale of Vallentin Elektronik, wholesaler of electronic components to Chemo Electric A/S

EURESYS 

MBO of Euresys, manufacturer of electronic components including image and video acquisition components

E ENERGY 

MBO of Warner Holdings, a wholesale distributor of electrical supplies and equipment to the oil & gas and construction markets

neuelec GROUPE 

Sale of MEI, a designer & manufacturer of electronic motor protection relays to Neuelec

duolog 

Sale of Duolog Technologies, a leader in configuration and integration technology for the semiconductor industries to ARM

SEA CZ 

Sale of SEA CZ, supplier of measurement & control automation and manufacturer of LV switchboards to 3HI

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