

M&A in the TIC Space

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ORIX CAPITAL
PARTNERS

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Introduction to ORIX Capital Partners



Overview

- Established in 2016 and based in New York City, ORIX Capital Partners (“OCP” or “ORIX”) is a middle market private equity firm and has deployed over \$650 million of capital since inception
- OCP is a subsidiary of ORIX Corporation USA, the U.S. and Latin American hub for Tokyo-based ORIX Corporation, a publicly traded international financial services company with operations in more than 31 countries and over \$450 billion in assets under management
- OCP partners with strong owner-operators and management teams to achieve growth and profitability
- ORIX provides its portfolio companies with the support of its in-house operations, M&A, accounting, tax, legal, IT, and HR teams and resources
- OCP has a strong focus on industrial services, business services, and general industrials

Select Investments⁽¹⁾



We provide patient capital, access to transformational industry relationships, and strategic and operational guidance to companies in the business services, industrial services and general industrials sectors



(1) Includes prior and current investments.
Note: As of 7/30/21.

What is “TIC” (Testing, Inspection, & Certification)



How NDT Fits in the TIC Space

- In the world of M&A, the NDT industry is bucketed within the larger and broader “TIC” sector, or Testing, Inspection, & Certification
- Like NDT, the TIC sector consists of companies that work to verify the safety, performance or compliance of a product or critical asset. More specifically, the space can be defined by the below:

NDT lies within Testing & Inspection

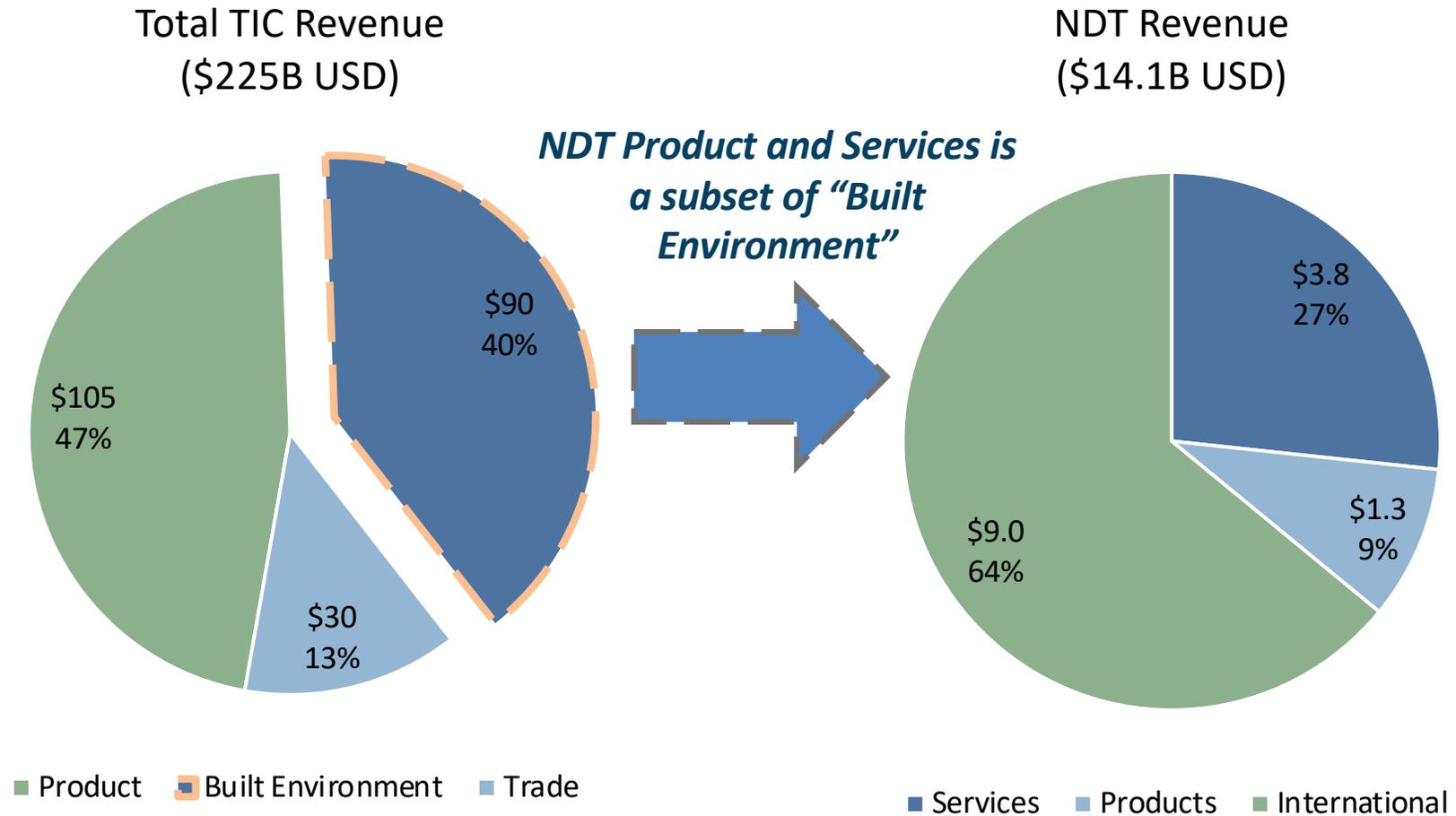
- **Testing:** Use of electronic or analytical equipment to determine integrity of materials
- **Inspection:** Examination of materials, components, installations, processes and finished goods in order to determine their compliance with specifications set by customers, accreditation bodies, or regulatory authorities
- **Certification:** Quality assurance function (i.e. code compliance on buildings)

- NDT most directly falls within the “Testing” and “Inspection” portion of the TIC sector, which has seen significant M&A activity from private equity firms and strategics / corporate buyers over the last decade
- Interest from private equity firms in the TIC and NDT sector is largely attributable to:
 - The attractive financial profile of companies in the industry (e.g. stable and recurring cash flows, minimal capital expenditure requirements, scalable operating model)
 - Favorable industry and regulatory trends due to a greater emphasis on environmental and workplace safety
 - Opportunity to add value through in-house operational and financial expertise

TIC Market Size



Est. Addressable Global Market – TIC & NDT



Source: OCP Research



NDT Market Dimensions



Segmentation of the NDT Sector

Global NDT Providers / Market Share Leaders

- Multi-national / global presence and / or strong and market leading domestic presence
- Diversified offering of NDT services across various end markets (utilities, O&G, civil infrastructure, etc.)
- Many locations across the U.S. and internationally
- Most companies are typically publicly traded and too large to be acquired by private equity firms

National / Semi-Regional NDT Providers

- National or semi-regional presence
- Strong focus on select end markets with a defensible market position
- Several locations throughout multiple regions of the United States
- Companies can already be under private equity ownership or are still founder / mgmt. owned

Regional / Local NDT Providers

- Regional presence with no more than a few locations
- Can have a niche / highly focused service offering within one or two specific end markets
- Typically owned by the founder and / or company's mgmt. team

Most Private Equity Firms Acquire Companies that are of National, Semi-Regional, Regional, and Local Size

Selling to Private Equity vs. Strategics



Sale to Private Equity / Financial Sponsors

- Private equity firms / financial sponsors acquire companies to enhance a business' operations and profitability, with the end goal of selling the company to another buyer in 3-6 years to generate a strong financial return for investors
- Companies are typically acquired at a fair market value, using a combination of equity from the financial sponsor and a conservative amount of leverage
- By being acquired by a private equity firm, founders, owners, and management teams have the ability to reinvest their equity into the business, with the potential to see substantial upside when their company is resold later on
- Owners typically have flexibility in their preferred role within the business post-acquisition, either choosing to stay actively involved in the business day-to-day, serving on the board / involved at a higher level, or retiring completely
- As a new investment for a private equity firm, there are typically minimal (if any) reductions to employee headcount, giving owners and founders peace of mind that their employees will be taken care of post-close

Sale to Strategics

- Strategics acquire companies to increase their market share, add new services lines, and penetrate new industries
- Purchase consideration typically consists of cash or cash/equity for 100% ownership of the business
- Due to potential revenue and cost synergies (e.g cross selling of services, reduction in headcount, etc.), strategics can sometimes rationalize a higher valuation for a target business than a financial sponsor
- Oftentimes, strategics can reduce employee headcount due to operational redundancies with the target company
- Strategics can typically consummate a transaction faster than a private equity firm due to shorter diligence periods
- Target companies have a greater risk around confidentiality, proprietary technology, and customer relationships when engaging with a strategic

What to Consider When Selling Your Business

- There are many factors owners must consider when it comes time to sell their business, ranging from the total valuation / compensation they receive, to ensuring that their employees are taken care of under new ownership
- To achieve one's objectives, preparation is paramount, as buyers will require information about the company's financial performance, operations, customers, etc.
- Investment banks and M&A consultancy firms can help aid a company in this process; however, the real leg work rests on the owner and the management team of the company. More specifically, owners and company management should focus on the following to ensure they maximize value and achieve their goal of selling their business:
 - Ensure that you provide a realistic but efficient timeline to allow for operational integration if selling to a strategic
 - Emphasize your focus on the cultural fit between your company and the acquiror, whether that be with a financial sponsor or a strategic. If selling to private equity, you will likely have weekly interactions with members of the firm for 5 years or more, so it is important that there is a strong connection between both sides. If selling to a strategic, the relationship will likely be indefinite
 - Articulate your strategic vision of the business to the acquirer – alignment of goals is crucial for any business to be successful. This can be further driven by a 100 day / strategic plan, which is collectively developed by both the seller and buyer, and lays out all of the company's key objectives
 - Roles and responsibilities should be clearly defined within the organization – both corporate buyers and financial sponsors appreciate organizational structure to help drive growth and mitigate operational missteps

Historical Transactions in the NDT Sector



Year	Target	Buyer	Buyer Type	Focus	Type
2021	Applied Technical Service (ATS)	Odyssey Investment Partners	Private Equity	NDT	Platform
2021	Alliance Technical Group	Morgan Stanley Capital Partners	Private Equity	NDT	Platform
2021	Dynamic Risk	Eddyfi/NDT	Strategic	Risk / Engineering	Add-on
2020	NDT Global	Eddyfi/NDT	Strategic	NDT Pipeline ILLI	Platform
2020	Halfwave	Eddyfi/NDT	Strategic	NDT Subsea pipeline	Add-on
2020	Complete Wind Corp	Acuren	Strategic	NDT - Renewables	Service line extension
2020	Suspendem	Acuren	Strategic	NDT & Maintenance	Add-on
2019	Acuren	American Securities	Private Equity	NDT / Materials Testing	Platform
2019	IRISNDT	First Reserve	Private Equity	NDT O&G Downstream	Platform
2019	Aviation Technical Testing	Applied Technical Services	Strategic	NDT - Aviation	Add-on
2019	XCEL NDT	Crossbridge	Private Equity / Strategic	NDT	Add-on
2018	Onstream	Mistras	Strategic	NDT O&G Midstream	Service line extension
2018	International Inspection	Applied Technical Services	Strategic	NDT	Add-on
2018	Quality Testing Services	Premium Inspection	Private Equity / Strategic	NDT - Geographic expansion	Geographic expansion
2017	Landbros	Premium Inspection	Private Equity / Strategic	Advanced NDT / UAS	Service line extension
2016	Silverwing	Eddyfi/NDT	Strategic	NDT equipment Manufacturer	Add-on
2016	Eagle Infrastructure	First Reserve	Private Equity	Midstream QC	Platform
2015	Professional Service Industries	Intertek Group	Strategic	Civil Eng / NDT	Platform
2015	Furmanite Corporation	Team	Strategic	O&G Downstream Mechanical	Add-on
2015	Qualspec Group	Team	Strategic	NDT - O&G Downstream	Add-on
2014	Desert NDT	ShawCor	Strategic	NDT - O&G Midstream	Platform



Please feel free to ask any questions!

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