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MERGERMARKET

EPTA seeks acquisitions for EUR 300m revenue boost by 2020

Proprietary Intelligence

- Considers listing or PE investment to finance large deals
- Focuses on European and US targets, valuations range EBITDA 5x-7x

EPTA, the private Italian commercial refrigeration specialist, is scouting for acquisitions to reach EUR 1bn in revenues by 2020, Co-CEO Marco Nocivelli said.

M&A deals are expected to account for about EUR 300m of the additional revenues over the next five years, he said, adding that it is still on the lookout for targets, especially in Europe and North America, where average valuations are between 5x and 7x EBITDA.

EPTA is also considering selling a minority stake to financial investors or listing on the Italian Stock Exchange to raise growth capital to fund the acquisition of companies with turnover of more than EUR 100m, Nocivelli said. Earlier this year, the group obtained the Elite certification, a programme organised by the Italian Stock Exchange to help SMEs prepare for a listing or obtain investment from financial sponsors.

The group generated revenues of EUR 680m last year and expects the sector to maintain a 3-4% compound annual growth rate (CAGR) in the medium term, he said.

EPTA has a strong balance sheet with debt/equity ratio of 30%. The timeline for a stake sale or a listing depends on when an opportunity for a major acquisition will materialize, Novicelli said. The Nocivelli family holds an 80% stake, with the Triglio-Godino family holding the remaining stake.

It uses several external M&A advisors, including EY for due diligence negotiations and Milan-based Studio Caretti & Associati for target identification, he added. ATRIUM Partners acted as financial advisor for Knudsen Køling.

The management team – including Daniele Marongiu (Global Commercial Operations Director), Massimo Albertario (Group CFO), Enzo Santori (Global Industrial Activities Director) and Roberto Piccinelli (Global Supporting services and HR Director) – also plays an important role in EPTA's M&A strategy, Nocivelli said.

European M&A strategy

In Europe, EPTA usually targets companies with revenues of between EUR 20m and EUR 60m. It is seeking to strengthen its presence in Eastern Europe in particular, but it is also evaluating targets in the rest of Europe including Italy.

EPTA recently studied the dossier of Mondial Group, an Italian refrigeration company in financial distress, but it later decided not to proceed due to perceived overlaps with its current operations, Nocivelli said.

Earlier this month, EPTA acquired **Knudsen Køling**, a Danish refrigeration company with annual revenue of EUR 20-25m. This will strengthen EPTA positioning in Nordic markets, where it already has commercial subsidiaries in Norway and Finland, he noted.

Last year, the Italian group acquired UK-based **Cold Service Group**, an installation and maintenance company that furthered EPTA's market penetration into Southern England. It has annual revenue of about EUR 30m, Nocivelli said.

Other European competitors include Italy's **Arneg**, he added.

American M&A strategy

EPTA is seeking to enter the US market through acquisitions of larger targets with revenues of EUR 50m-EUR 100m. Entry barriers are higher as the regulations and certification requirements in the US are different from Europe, Novicelli said.

The US market is dominated by **Hussman**, **Hill Phoenix** and **Lennox International**'s refrigeration business **Heatcraft Worldwide Refrigeration**, Nocivelli added. Other competitors include the likes of Panasonic's **Sanyo** and **Haier**.

Potential acquisitions in other geographies – China, South East Asia, Australia and South America – will be more opportunistic in nature. The focus in Asian markets is still on cheaper, less advanced products, while South American markets have more stagnant economies at the moment, Nocivelli said.

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