

## Continued internationalization with a financial sponsor

DEAL FLASH | INDUSTRIAL MACHINERY & COMPONENTS | JULY 2021

### DEAL SNAPSHOT

The owners of Zephyr Group, one of the main European companies specializing in the distribution of spare parts for merchant and slow-ferry ship engines, as well as for power plant engines, have sold a majority stake in the company to Italian private equity firms DeA Capital Alternative Funds and VSL Club.

In 2018, with the acquisition of Spanish competitor Skandiaverken, Zephyr consolidated its European leadership position among independent distributors. Paolo Castagnet and Nicoletta and Carlo De Monti will maintain a 35% participation alongside Sviluppo Sostenibile and VSL to support the growth and internationalization process already undertaken by Zephyr Group in recent years.

DeA Capital is a leading Italian private equity firm. Through its Sviluppo Sostenibile fund, it intends to support Zephyr Group in a growth process that envisions expansion into new strategic markets, add-ons and the extension of the product range and services offered to customers. Such an extension will facilitate a regulatory-environmental upgrade of ships and improve their ESG KPIs. VSL Club, an investment and consulting company specialized in the maritime industry, participated in the operation as strategic co-investor.

### OAKLINS ASSISTS IN FINDING THE BEST FINANCIAL PARTNER

Oaklins' team in Italy assisted the shareholders of Zephyr Group as the exclusive financial advisor. The marine equipment specialist team in Italy and the Netherlands initiated the project and supported the transaction during the identification of and contact with potential buyers.

“This transaction is a further step for the future growth of our group on a path towards internationalization which began with the acquisition of Skandiaverken. I would like to thank the Oaklins team for their outstanding support and for having guided us all the way.”

**PAOLO CASTAGNET**  
CEO, ZEPHYR GROUP, ITALY



Above: Paolo Castagnet, Nicoletta De Monti, Carlo De Monti, (Zephyr Group) and Andrea Valenti, Giuliano Palazzo (DeA Capital Alternative Funds)

## MARKET TRENDS & DEAL DRIVERS

The marine industry has been seriously hit by COVID-19. Zephyr, which is engaged mainly in the spare parts business, has proven to be very resilient and capable of performing well in extreme temporary market conditions. Other companies which are more dependent on the construction of new ships have faced harder times. Now that the market is returning to normal, the positive long-term trends in the spare parts market appear to be more solid than ever.

The power generation industry also offers significant opportunities and represents a relatively new market with large unexploited potential for Zephyr.

## M&A VALUATION ASPECTS

The valuation has not been disclosed. However, strong barriers to entry in the market and growth potential may determine premium valuations for the sector.

Due to the recent exceptional market conditions and the growth envisaged for the sector, we expect most of the transactions to include an earnout that can lead to premium valuations in the range of 6.5–8.5x EBITDA.

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Davide's key areas of M&A expertise are in food & beverage, automotive, HVAC, and industrial machinery & components. Notable clients he has advised include Coesia Group, Ecor, CLN Group, Kraft Heinz, Newlat Food, Sabelli, Cramaro Tarpaulin Systems, Tecnopoli, and public companies such as LU-VE Group, SIT Group and Salcef Group.

"The marine and power generation industries are going through a massive transition mainly due to a growing focus on environmental sustainability. This translates into significant opportunities for growth both organically and through acquisitions."

Carlo has assisted companies operating across several industries, especially in industrial machinery, aerospace & defense, marine equipment and technology. Key clients he has worked with include Meggitt, Umbra Group, Nice Group, V2, Telecom Italia, W.A.Y., Zoom, Inblu, Condor Trade, Rohde and Giochi Preziosi, as well as leading financial investors such as Ersel, Invitalia, Vertis and HAT Holding.

"The competitive landscape offers significant opportunities for consolidation, and acquisitions are the key driver for international growth in the sector."

With a particular focus on the marine equipment, oil & gas equipment, and general machinery sectors, Fokko's former clients include VAF Instruments, KH Chemicals, Heritage Group, Rema lifting equipment, Bloksma and NRF.

"Zephyr is one of three recent transactions in this market, all successfully bought by private equity: Zephyr Group and DeA in Italy, THB Verhoef and Torqx in the Netherlands and MSHS in the USA with MPE. There are a number of characteristics which make these companies attractive for PE investment. With buy-and-build strategies to support organic growth, probably more M&A is to come in this segment."

## OAKLINS HAS CLOSED 220 DEALS IN INDUSTRIAL MACHINERY & COMPONENTS

Oaklins is the world's most experienced mid-market M&A advisor, with over 850 professionals globally and dedicated industry teams in more than 45 countries. We have closed 1,700 transactions in the past five years.

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