

Deal Terms

1 SXS LN = GBP 37.63 (GBP 37.35 in cash + 28 pence Permitted Dividend)

Target: Spectris

Country	United Kingdom
Bloomberg	SXS LN
Sector	Measurement Instruments
Share price (GBP)	3,894
Market cap (GBPm)	3,857.1
Free float (%)	~99

Acquirer: Consortium

Country	United States
Bloomberg	n.a
Sector	Private Equity
Share price (\$)	n.a
Market cap (\$m)	
Free float (%)	

SXS LN Price Chart



Status

Notices of the Court and General Meeting and forms of Proxy (+28D): July 21, 2025

KKR PUSU deadline: July 11, 2025

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Spectris (SXS LN) / Consortium

SCHEME OF ARRANGEMENT

We see a long position attractive during the bidding phase, but advise exiting once a final acquirer emerges given potential regulatory delays and asymmetric downside risk.

Regulatory Risks

- The scheme requires antitrust approvals in the EU (EC), US (HSR), China (SAMR), UK (CMA) and Germany. Furthermore, FDI clearances are required in: UK (NSI), US (CFIUS), Australia (FATA), Austria (ICA), Belgium (ISC), Denmark, France, Germany, Ireland, Italy, The Netherlands, Spain, Sweden. We note that the German antitrust approval and the CFIUS is only required due to CPPIB Investor, which is a minority investor in the bidder consortium.
- SXS operates through two core divisions, Spectris Scientific and Spectris Dynamics. These divisions are strategically positioned within technology-driven end markets, characterized by robust fundamentals and attractive growth trajectories, often protected by high barriers to entry.
- Advent holds investments in 86 companies within the broader industrial space and 116 in the wider technology sector.
- Given the minimal direct horizontal overlaps between SXS and Advent's current portfolio companies, the combined market shares in any relevant product market are not anticipated to be a primary concern for the merger. The focus of competition analysis shifts from combined market power to the individual market positions of Spectris and the absence of significant market share contributions from Advent's portfolio companies in these specific segments.
- We note that the relevant markets appear to be competitive and fragmented, with several established players across segments and niche areas where no direct overlaps exist.
- The merger presents limited direct overlap between SXS and Advent's portfolio companies. Most Advent businesses either operate in adjacent markets or have divested relevant segments.
- Key concerns for regulators will focus on SXS' strong position in precision instrumentation and related markets like aerospace, defense, and semiconductors, where some Advent companies (e.g., Cobham, Ultra Electronics, Delft Instruments) have adjacent activities.
- The growing importance of AI and analytics in both parties' offerings may also attract regulatory attention, though this is more about strategic capabilities than direct competition.
- Overall, we expect some regulatory scrutiny, but do not anticipate major antitrust hurdles given the limited competitive overlaps. However, national security concerns in certain jurisdictions with sensitive industrial or defense exposure could present a more meaningful challenge than competition issues and may prolong the approval timeline.

Timing

- Given the large number of required notifications, the merger timeline may be extended. We expect FDI clearances to be the primary driver of timing, while the Chinese antitrust review adds an additional layer of uncertainty due to its often unpredictable duration. Depending on the outcome of a potential bidding war, the duration of antitrust reviews could vary slightly, but overall no major delays are anticipated. Assuming no significant issues arise, the deal is likely to close by the end of 2025 or, at the latest, in Q1 2026.

Counter bid

- We assume Advent's valuation reflects a sum-of-the-parts approach, assigning distinct value to each of SXS's business units based on their individual growth profiles, which could justify the otherwise stretched headline valuation.
- We believe the maximum plausible upside in a bidding scenario would likely be in the 5-10% range from the current offer, implying a final price in the 3,950 to 4,140 pence per share range. Anything above that becomes increasingly difficult to justify.
- However it is important to emphasize that the valuation framework used by private equity in these cases is highly non-linear, as it is likely built on segment-by-segment assumptions, exit optionality, and operational improvement levers.
- The current 3,763 pence price already implies a rich valuation on a consolidated basis, so any bump would reflect conviction in upside from breakup value or superior execution.
- We believe KKR represents the only credible alternative to Advent and has already cleared the initial threshold of board engagement and due diligence access.
- We expect a firm bid is more likely than not, given KKR's public posture and the strategic value of the asset within its portfolio.

- We believe that a potential SXS/KKR merger would face greater antitrust scrutiny than the Advent deal, primarily due to more pronounced overlaps in materials and industrial technologies.
- Hyperion Materials & Technologies is the most notable case, given its involvement in advanced materials. While not a direct competitor, we expect regulators could explore potential horizontal or vertical relationships with Spectris's materials analysis segment.
- We see Industrial Physics as another area of potential adjacency, given its focus on testing and inspection tools. That said, the level of product overlap appears limited in scope and technical application.
- Circor's activities in flow control for industrial and aerospace sectors may raise minor vertical or conglomerate considerations, but we expect these to be less central in the review.
- Overall, while we anticipate a more detailed antitrust assessment compared to the Advent deal, possibly even Phase II reviews in some jurisdictions, we believe any concerns are likely to be manageable, particularly if the parties engage proactively with regulators.

Shareholder Vote

- Overall, we do not anticipate the shareholder vote to present a significant obstacle, neither for the Advent offer nor in the event of a bidding war. The current offer sets a high floor, delivering immediate and tangible value, which should be sufficient to secure approval unless a clearly superior bid materializes.

Valuation

- SXS currently trades above the peer median on an EV/EBITDA basis and roughly in line with peers on P/E.
- Historically, the stock traded at a ~30-50% EV/EBITDA discount to peers, suggesting the current valuation reflects some deal premium and improving fundamentals.
- While SXS's end markets remain cyclical, we believe the business is on a recovery trajectory, with key headwinds largely behind it. The negative share price reaction to early 2025 earnings appears somewhat exaggerated in our view.
- In a deal break scenario, we see material downside risk. The current offer embeds a significant premium; without it, SXS would likely revert to a 20-25% discount to peers on EV/EBITDA (implied range: ~9.9x–10.6x). This would point to a standalone valuation of approximately GBP 21.75-23.50 per share.

CBR view

- At this stage, we recommend initiating a long position under a bidding war scenario, where competitive dynamics may drive short-term upside.
- However, once a final bidder is confirmed, we do not recommend maintaining the position, as the volume of antitrust and FDI approvals required could lead to unforeseen delays in regulatory clearance.
- While our base case assumes no material regulatory obstacles, the complexity and jurisdictional breadth of the review process introduce latent timeline risk.
- Given the asymmetric risk profile, marked by limited upside post-award and significant downside exposure in the event of regulatory setbacks, we advise a cautious stance following the resolution of the competitive bidding phase.

Key terms of the scheme

Transaction Details

Announcement Date	June 23, 2023
Offer terms	1 SXS LN = GBP 37.63 (GBP 37.35 in cash + 28 pence Permitted Dividend)
% owned by SXS stockholders	0%
Deal Size (Market Value)	GBP3.7 billion
Offer structure	All-cash Scheme of Arrangement
SXS' Board Recommendation	Yes
Voting Agreement	Yes, Bidco has received irrevocable undertakings to vote in favour (or procure a vote in favour) of the Scheme at the Court Meeting and the Resolutions to be proposed at the General Meeting from those Spectris Directors who hold Spectris Shares in respect of their own beneficial holdings (and those of their spouse, minor children and/or related trusts, if applicable), amounting in aggregate to 223,189 Spectris Shares representing approximately 0.22 per cent. of the issued share capital of Spectris as at the Last Practicable Date.
SXS Incorporation	United Kingdom
Acquisition Announcement	Click here for the announcement
Synergies	■ N/A

Indicated Closing Date

- Q1 2026

Dividends

- The Permitted Dividend of 28 pence per share will be paid as an interim dividend subject to Spectris Directors' approval.
- The FY24 Final Dividend of 56.6 pence per share (declared on February 28, 2025) will be paid on June 27, 2025 to shareholders on record as of May 16, 2025.
- Other than the Permitted Dividend and the FY24 Final Dividend, if any dividend, distribution or other return of value is announced, declared, made, paid or becomes payable in respect of Spectris Shares on or after the date of this Announcement and before the Effective Date, Bidco reserves the right (without prejudice to the right of Bidco to invoke, with the consent of the Panel, the Condition set out in paragraph 8 of Appendix 1 above) to reduce the Cash Consideration payable in respect of each Spectris Share by the amount of all or part of any such dividend, distribution or other return of value, in which case any reference in this Announcement to the Cash Consideration payable under the terms of the Acquisition will be deemed to be a reference to the Cash Consideration as so reduced.

Financing

- The Cash Consideration payable by Bidco to Spectris Shareholders will be financed by a combination of: equity investment from funds managed and/or advised by Advent and its affiliates, CPP Investments, acting through its wholly-owned subsidiary, CPPIB Investor, and MI Metron Co-Invest; and debt to be provided under the Interim Facilities Agreement.
- Other potential equity investors may take indirect minority interests in Bidco during the Offer Period or once the Acquisition completes.

SXS LN capitalization

- | | |
|------------------------------|--|
| ■ Target Equity | ■ Spectris confirms that as at 6 June 2025, being the last business day prior to this announcement it had in issue 104,446,214 ordinary shares of 5 pence, each carrying one vote. The Company holds 5,214,319 shares in treasury. The total number of voting rights in the Company is therefore 99,231,895. |
| ■ Target Debt | ■ Net debt of £502 million at the end of March 2025
■ The Group has, during 2024, secured committed funding with an average maturity of 7.2 years and with staggered maturities from three to ten years. |
| ■ Target Net Leverage | ■ 2.2x FY1 Net Debt/EBITDA |

Valuation Multiples

- | | |
|------------------------|---|
| ■ 1-day premium | The Offer Value represents an attractive premium of:
84.6 per cent. to the Closing Price of £20.38 on 6 June 2025 (being the last Business Day before the commencement of the Offer Period);
74.6 per cent. to the volume-weighted average price in the three months to 6 June 2025 of £21.55; and
57.0 per cent. to the volume-weighted average price in the six months to 6 June 2025 of £23.97. |
| ■ LTM EV/Sales | 3.4x |
| ■ FY1 EV/Sales | 3.1x |
| ■ FY2 EV/Sales | 3.0x |
| ■ LTM P/E | 16.2x |
| ■ FY1 P/E | 23.8x |
| ■ FY2 P/E | 20.4x |
| ■ LTM EV/EBITDA | 27.5x |
| ■ FY1 EV/EBITDA | 15.6x |

- FY2 EV/EBITDA 113.9x

Timetable

■ Confidentiality Agreement	May 15, 2025
■ Deal Announcement (T)	June 23, 2025
■ Court and general meeting	Latest by October 7, 2025 (22 nd day after September 15, 2025)
■ Notices of the Court and General Meeting and forms of Proxy (+28D)	July 21, 2025
■ Settlement (CBR est.)	Earliest by end of 2025, or early Q1 in 2026
■ Outside date	June 30, 2026

Deal close definition

- On the Scheme becoming Effective: (i) it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting (and, if they attended and voted, whether or not they voted in favour of the Scheme at the Court Meeting or in favour of or against the Resolutions at the General Meeting); and (ii) share certificates in respect of Scheme Shares will cease to be valid and should be returned to Spectris or destroyed and entitlements to Scheme Shares held within the CREST system will be cancelled. The consideration payable under the Scheme will be despatched to Scheme Shareholders by Bidco within 14 days of the Effective Date.

Solicitation Clause

- The terms of the Bid Conduct Agreement also include an agreement not to pursue a competing proposal to the Acquisition with respect to Spectris or take any action which might be prejudicial to completion of the Acquisition or directly or indirectly encourage, solicit, initiate facilitate, participate in or otherwise continue any discussion or negotiation with any person in connection with a competing proposal to the Acquisition, in each case for so long as the Bid Conduct Agreement is in force.

Key conditions to the merger

■ Shareholder approvals	■ Yes, SXS shareholders need to approve the Scheme by a majority in number of Scheme Shareholders, and who represent not less than 75 per cent.
■ No injunctions	■ Yes
■ No legal prohibition	■ Yes
■ Regulatory Approvals	■ Yes, Antitrust: EU, US, China, Germany, UK ■ FDI: UK NSI, US CFIUS, Australia FATA, Austria ICA, Belgium ISC, Denmark, France, Germany, Ireland, Italy, The Netherlands, Spain, Sweden
■ No Company or Parent MAC	■ Yes
■ Conditions to Obligation of the Company	■ Yes

Antitrust related clauses

■ Jurisdictions	■ UK, EU, US, Germany, China
■ Divestiture obligation	■ In addition, Bidco and Advent have agreed not to take any actions which would, or would be reasonably likely to, prevent or delay the satisfaction of certain regulatory conditions (provided that such obligation shall not apply to any portfolio company in which Advent or its funds has an equity or other interest and does not control). CPPIB Investor has agreed to substantially equivalent obligations in respect of the CPPIB Regulatory Conditions (provided, likewise, that such obligations shall not apply to any portfolio company of CPP Investments or its direct and indirect majority owned subsidiaries and investment vehicles).
■ Litigation obligation	■ N/A
■ Reverse break fee (regulatory)	■ N/A

Governing Law

- England

Key Spectris shareholders

Shareholders	%
FMR LLC	10.6
UBS AG	7.6
Blackrock Inc	6.9
Wellington Management Group LLP	6.4
Vanguard Group Inc/The	5.5
Sprucegrove Investment Management	3.9
Artemis Investment Management LLP	3.7
Royal London Asset Management Ltd	3.0
Ninety One UK Ltd	2.8
Massachusetts Financial Services C	2.7
Norges Bank	2.6

Source: Bloomberg

Company descriptions & rationale for the merger

SXS DESCRIPTION

- Spectris combines leading technical expertise and deep domain knowledge to provide its customers with critical insights through high quality precision measurement solutions that enable them to solve some of their greatest challenges, making the world cleaner, healthier, and more productive.
- Spectris is well positioned to compete across its customer offering and employs c.7,400 people located in more than 30 countries, all united behind its purpose to deliver significant value for all its stakeholders. Spectris is headquartered in London and focuses on two strong divisions, with a global network of c.2,200 sales and service employees and best in class manufacturing facilities and labs.

Spectris operates through two divisions:

- **Spectris Scientific:** a global leader in advanced material measurement and characterisation, operating in attractive end markets, such as pharmaceutical, semiconductor, primary and advanced materials and advanced research. Spectris Scientific comprises Malvern Panalytical, Particle Measuring Systems and Servomex. Through these three companies, Spectris Scientific provides leading scientific instruments and services, measuring particles down to the nano scale, helping customers better understand and shape everything from proteins, metals and polymers to controlling aseptic manufacturing.
- **Spectris Dynamics:** a global leader in advanced integrated virtual and physical testing, and high precision sensing solutions through its business, HBK. Spectris Dynamics is strategically placed, offering broad solutions, with the ability to integrate both the physical and virtual worlds of test and measurement. Spectris Dynamics supports some of the world's leading automotive, machine manufacturing, aerospace, electronics and advanced research customers.
- For the financial year ended 31 December 2024, Spectris reported sales of £1,299 million, EBITDA of £239 million, and adjusted operating profit of £203 million. Spectris completed the acquisition of three high-quality, complementary businesses during 2024 (SciAps Incorporated, Micromeritics Instrument Corporation, and Piezocryst Advanced Sensorics), delivering material synergies. Micromeritics and SciAps will be integrated into Malvern Panalytical in Spectris Scientific, while Piezocryst will be integrated into Spectris Dynamics. Spectris also completed the disposal of Red Lion Controls in April 2024.

Spectris Scientific

Spectris Scientific is a leader in advanced material measurement and characterisation.

Sales as a percentage of Group sales

60% 2023: 49%

Reported sales growth

(4)% 2023: 7%

LFL sales growth

(6)% 2023: 12%

Adjusted operating margin

17.7% 2023: 21.4%

Employees

3,936 2023: 2,997

Our businesses

Malvern Panalytical

A leader in material measurement and characterisation for advanced material analysis.



Particle Measuring Systems

World leader in micro-contamination monitoring solutions for ultra-clean manufacturers.



Servomex

Servomex is a world leader in premium gas and moisture analysis solutions.



Spectris Dynamics

Spectris Dynamics is a leader in advanced, integrated virtual and physical test and measurement.

Sales as a percentage of Group sales

39% 2023: 37%

Reported sales growth

(8)% 2023: 10%

LFL sales growth

(7)% 2023: 6%

Adjusted operating margin

14.4% 2023: 17.1%

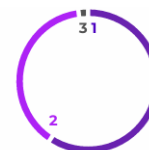
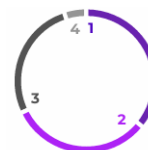
Employees

3,517 2023: 3,455

Our businesses

Hottinger Brüel & Kjaer

A world leader in advanced, integrated, physical and virtual testing and measurement.



Sales by market (%)

1 Life sciences/Pharmaceutical	19
2 Technology-led industrials	17
3 Electronics and semiconductor	12
4 Metals, minerals, mining	12
5 Automotive	11
6 Academic research	9
7 Other	20

1. Red Lion Controls was sold in April 2024

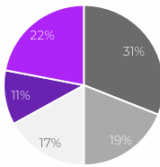
Source: SXS 2024 Annual Report

Spectris Scientific

Spectris Dynamics

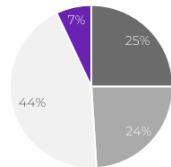
	2024	2023	Change vs 2023	LFL change vs 2023		2024	2023	Change vs 2023	LFL change vs 2023
Orders (£m)	768.9	762.8	1%	(2%)	Orders (£m)	504.8	528.5	(5%)	(4%)
Reported sales (£m)	776.7	804.6	(4%)	(6%)	Reported sales (£m)	501.7	542.8	(8%)	(7%)
Adjusted operating profit (£m)	137.5	171.9	(20%)	(24%)	Adjusted operating profit (£m)	72.3	93.0	(22%)	(20%)
Adjusted operating margin (%)	17.7%	21.4%	(370bps)	(410bps)	Adjusted operating margin (%)	14.4%	17.1%	(270bps)	(240bps)

Sales by end market



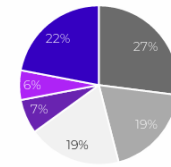
Life sciences, Materials, Elec. & semicon, Academia, Other

Sales by geography



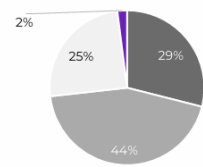
North America, Europe, Asia, RoW

Sales by end market



Automotive, Machine man., Elec. & semicon, A&D, Academia, Other

Sales by geography

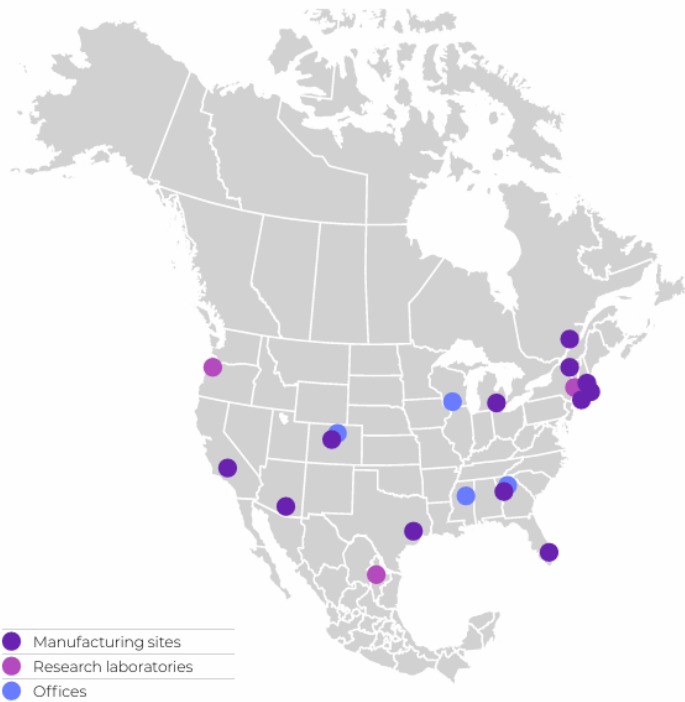


North America, Europe, Asia, RoW

Source: SXS 2024 Results Presentation

Geographic Presence

North America



Manufacturing sites, Research laboratories, Offices

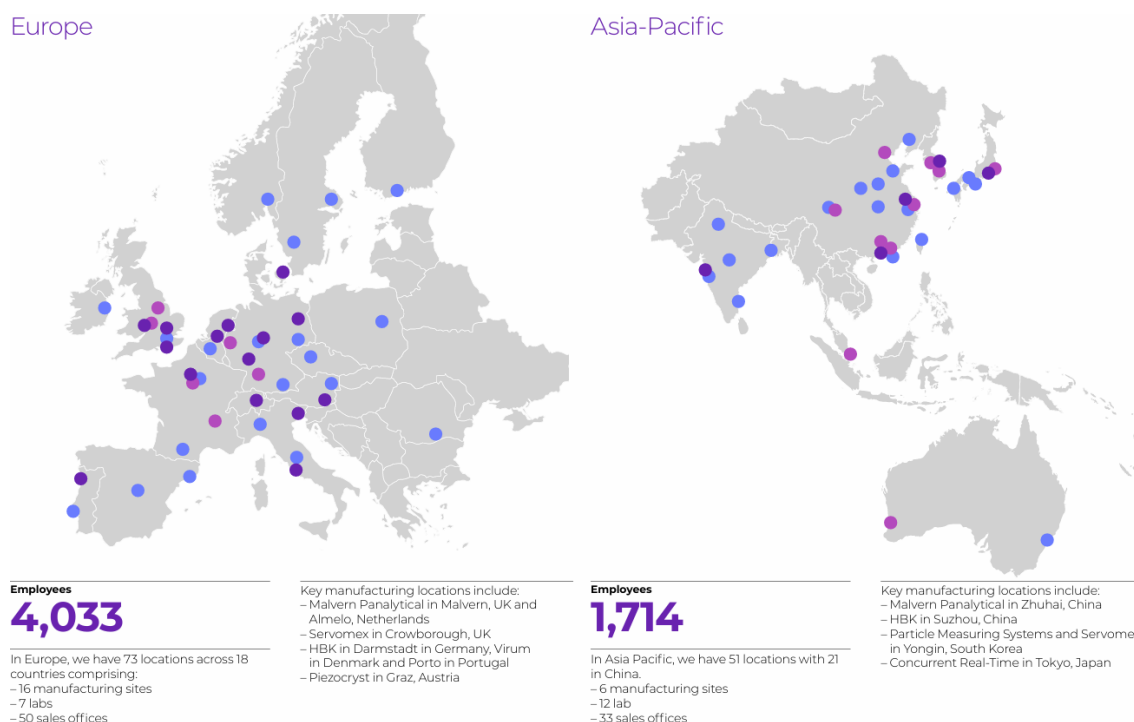
Employees

1,764

In North America, we have 22 locations in the US and one in Canada comprising:
 - 14 manufacturing sites
 - 3 labs
 - 5 sales offices

Key manufacturing locations include:

- Particle Measuring Systems in Boulder, CO
- Concurrent Real-Time in Pompano Beach, FL
- Dytran in Los Angeles, CA
- Micromeritics in Norcross, GA
- SciAps and Servomex in Boston, MA



Source: SXS 2024 Annual Report

BIDCO DESCRIPTION

- Bidco is a private company limited by shares registered in England and Wales and incorporated on 9 June 2025 with company number 16506150. Bidco was formed for the purposes of the Acquisition and will be indirectly owned by Advent and certain other minority equity investors.
- Bidco has not traded since its date of incorporation, nor has it entered into any obligations other than in connection with the Acquisition.

Advent International

- Advent is a leading global private equity investor committed to working in partnership with management teams, entrepreneurs, and founders to help transform businesses. With 16 offices across five continents, Advent oversees more than USD \$91 billion in assets under management and has made 430 investments across 44 countries.
- Since its founding in 1984, Advent has developed specialist market expertise across its five core sectors: business & financial services, consumer, healthcare, industrial, and technology. This approach is bolstered by its deep sub-sector knowledge, which informs every aspect of its investment strategy, from sourcing opportunities to working in partnership with management to execute value creation plans. Advent brings hands-on operational expertise to enhance and accelerate businesses.
- Through its long commitment to the UK, in particular, Advent has demonstrated a clear track record of long-term successful and responsible stewardship of UK assets and is enthusiastic about its continued commitment to supporting the development of world-class businesses. Its extensive global footprint and operational improvements experience make it a strong owner with the capability to drive change built to last, and achieve sustained growth.
- In addition, as one of the largest privately-owned partnerships, its 660+ colleagues leverage the full ecosystem of Advent's global resources, including its Portfolio Support Group, insights provided by industry expert Operating Partners and Operations Advisors, as well as bespoke tools to support and guide its portfolio companies as they seek to achieve their strategic goals.
- **Investment strategy:** Advent pairs its deep in-market and sub-sector specialization, as well as its global reach, to source interesting investments with the potential to achieve scale. Across regions, they have experience executing complex transactions, while working with multinational organizations, family-owned businesses, and entrepreneurs.

Information on CPP Investments and MI Metron Co-Invest

CPP Investments

- Canada Pension Plan Investment Board ("CPP Investments") is a professional investment management organization that manages the Canada Pension Plan Fund (the "Fund") in the best interests of the more than 22 million contributors and beneficiaries. In order to build diversified portfolios of assets, we make investments around the world in public equities, private equities, real estate, infrastructure and fixed income. Headquartered in Toronto, with offices in Hong Kong, London, Mumbai, New York City, San Francisco, São Paulo and Sydney, CPP Investments is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At 31 March 2025, the Fund totalled CA\$714.4 billion. CPPIB Investor is a wholly-owned subsidiary of CPP Investments, and is the entity through which CPP Investments will invest in Bidco.
- The antitrust Condition in respect of the German Federal Cartel Office (Bundeskartellamt) included in paragraph 3(d) of Part A of Appendix 1 to the Announcement and the foreign direct investment and national security Condition in respect of CFIUS included in

paragraph 4(b) of Part A of Appendix 1 to this Announcement (such Conditions together, the "CPPIB Regulatory Conditions") relate only to CPPIB Investor and not to Advent or Auba Investment.

MI Metron Co-Invest

- 25MI Co-Investment Limited Partnership ("MI Metron Co-Invest") is an Ontario limited partnership managed by its general partner, Advent International GPE X, LLC, in which Auba Investment Pte Ltd is the limited partner. Auba Investment Pte Ltd ("Auba Investment") is a nominated investment vehicle of GIC Special Investments Pte Ltd, which is a direct subsidiary of GIC. MI Metron Co-Invest is the entity through which GIC will invest in Bidco.
- GIC is a leading global investment firm established in 1981 to secure Singapore's financial future. As the manager of Singapore's foreign reserves, GIC takes a long-term, disciplined approach to investing, and is uniquely positioned across a wide range of asset classes and active strategies globally. These include equities, fixed income, real estate, private equity, venture capital, and infrastructure. GIC's long-term approach, multi-asset capabilities, and global connectivity enable it to be an investor of choice. GIC seeks to add meaningful value to its investments. Headquartered in Singapore, GIC has a global talent force of over 2,300 people in 11 key financial cities and has investments in over 40 countries.
- Auba Investment has agreed to invest in MI Metron Co-Invest for the purposes of the Acquisition and may benefit from enhanced minority rights in Bidco if it obtains CFIUS approval. The receipt of such CFIUS approval is not a condition to the completion of the Acquisition. Auba Investment has agreed to co-operate with Advent and Bidco in relation to obtaining regulatory clearances and has certain customary consent rights in relation to the invocation and waiver of certain of the Conditions to the Acquisition.

STRATEGIC RATIONALE FOR THE MERGER

- Spectris is a high-quality precision measurement, instrumentation and testing company focusing on two high-performance divisions, each of which provides and develops distinct, market-leading technologies and solutions.
- Advent has long admired Spectris and has been particularly impressed by the Spectris management team's repositioning of the business since 2018 through a combination of portfolio rationalisation and targeted investment in priority areas. This has led to a more focused and higher quality global business, and Bidco believes that Spectris is now well-placed to capitalise on future growth opportunities in its core end markets.
- Advent is a sophisticated and responsible global financial investor with significant deployable capital and a clear focus on partnering with management teams to foster innovation in businesses with excellent growth potential.
- Advent has operated in the UK since 1989 and has a long track record of investment in UK headquartered businesses, having invested £5.5bn in the UK since beginning operations here. Advent's approach to its business portfolio is to be a responsible steward, with a focus on driving growth, value and ultimately creating world-class companies that support the UK economy.
- Advent has deep experience of investing in high technology businesses within the industrial and engineering sectors in the UK, including in the context of public-to-private transactions such as its successful acquisitions of Cobham, Ultra Electronics and Laird. Through its long commitment to the UK, in particular, Advent has demonstrated a clear track record of long-term successful and responsible stewardship of UK assets and is enthusiastic about its continued commitment to supporting the development of world-class global businesses such as Spectris both in the UK and in the other markets in which they operate, and creating sustainable value for all stakeholders.
- Advent's recent investments demonstrate the value it provides to the companies and management teams with which it partners. Advent's portfolio company Ultra - a leading defence and security business - has significantly invested in its UK R&D capabilities under Advent's ownership. This has included investing £30m in a new Cyber Security Centre for Excellence in Maidenhead and the creation of approximately 200 new jobs across Ultra's UK businesses. Ultra's innovations also support key UK Government objectives, with innovations including new anti-submarine sonobuoys provided to the Ministry of Defence and other international partners.
- Bidco believes that the Acquisition presents an exciting opportunity for Spectris to build on its successful progress in recent years and to further develop the quality of its customer offering. In particular, Bidco considers that access to the additional capital, long term investment approach and industry expertise of Advent under its private ownership would allow Spectris further opportunity and flexibility to accelerate investment in its key areas for growth (including through organic investment, R&D and M&A) while continuing its robust focus on maintaining a strong and coherent global business portfolio.

Key risks

REGULATORY RISKS AND TIMING

- The scheme requires antitrust approvals in the EU (EC), US (HSR), China (SAMR), UK (CMA) and Germany.
- Furthermore, FDI clearances are required in: UK (NSI), US (CFIUS), Australia (FATA), Austria (ICA), Belgium (ISC), Denmark, France, Germany, Ireland, Italy, The Netherlands, Spain, Sweden.
- We note that the German antitrust approval and the CFIUS is only required due to CPPIB Investor, which is a minority investor in the bidder consortium.
- Notifications in the above-mentioned jurisdictions are required regardless of any material horizontal overlaps, as the combined entity's revenues and geographic footprint exceed the relevant filing thresholds in each case.

	Spectris Scientific £m	Spectris Dynamics £m	Red Lion Controls £m	2024 Total £m
UK	25.1	18.7	0.5	44.3
Germany	31.9	90.5	0.9	123.3
France	27.8	25.5	0.2	53.5
Rest of Europe	104.3	85.5	1.2	191.0
USA	171.5	139.0	14.7	325.2
Rest of North America	21.1	6.7	1.4	29.2
Japan	38.9	29.9	–	68.8
China	154.6	59.2	0.3	214.1
South Korea	33.8	9.4	–	43.2
Rest of Asia	117.5	27.2	0.9	145.6
Rest of the world	50.2	10.1	0.2	60.5
	776.7	501.7	20.3	1,298.7

Source: SXS 2024 Annual Report

Product market

- SXS operates through two core divisions, Spectris Scientific and Spectris Dynamics. These divisions are strategically positioned within technology-driven end markets, characterized by robust fundamentals and attractive growth trajectories, often protected by high barriers to entry.
- Spectris Scientific focuses on advanced measurement and materials characterization, aiming to accelerate innovation and efficiency in research and development (R&D) and manufacturing processes.
- Spectris Dynamics is dedicated to advanced, integrated virtual and physical test and measurement, alongside high-precision sensing solutions.
- Based on SXS's business profile, the following product markets are likely to be examined by competition authorities:
 - Test & Measurement Equipment: This is SXS' core business, and the likely focal point for competition regulators. This market includes:
 - Materials testing instruments (used in industrial R&D and QC)
 - Sensors and condition monitoring
 - Analytical instrumentation (e.g. particle analysis, precision measurement)
 - Non-destructive testing (NDT)
 - Vibration control and acoustic testing
 - Data acquisition systems
 - Industrial Software / Process Optimization / Lab Technologies: SXS owns companies that develop instrumentation software and automation tools (e.g. Omega, HBK, Malvern Panalytical), often embedded in broader industrial ecosystems. The key overlaps could be:
 - Industrial IoT software
 - Measurement analytics and visualization platforms
 - Process control and optimization tools
 - Precision Instrumentation: Broader instrumentation overlaps could be assessed at a more granular level, such as:
 - Particle characterization
 - Laser diffraction analyzers
 - Spectroscopy and analytical chemistry tools

Advent's portfolio companies

- Advent holds investments in 86 companies within the broader industrial space and 116 in the wider technology sector.
- The following companies may have business areas that overlap with or relate to SXS:
 - Rubix: A pan-European distributor of MRO (maintenance, repair & overhaul) industrial supplies, including condition monitoring tools and components commonly used alongside SXS' instruments. Potential vertical overlap via distribution channels.

- Maxar Technologies: Provides high-resolution satellite imagery and engineering sensors. While not a direct competitor in test & measurement, overlaps may arise in precision sensor technology.
- Cobham: Supplies defense-grade sensors and electronic measurement systems. Overlaps with SXS in precision instrumentation, notable regulator interest, given national security context.
- Ultra Electronics: Produces sensors, sonar, signal processing systems, and encryption hardware, areas adjacent to SXS' test instrumentation business. Could trigger horizontal/vertical overlap concerns.
- Laird: A designer and manufacturer of electronic components focused on EMI shielding, thermal management, and wireless connectivity solutions. These components are commonly used in advanced test equipment and industrial electronics, including sectors served by SXS. Advent acquired Laird in 2018. However, Advent subsequently divested key business units that might have been relevant to Spectris's sectors. These divestitures included Performance Materials (sold to DuPont in 2021), Connected Vehicles (to Molex in 2018), Thermal Systems (to Bregal in 2021), and Antennas (to TE Connectivity in 2021). Although Laird's past activities involved providing electronic protection solutions used in the "test and measurement" market, Advent no longer holds these assets, mitigating direct overlap concerns.
- Innio: Offers industrial power generation and gas engine solutions; no obvious overlap with SXS' core business.
- Caldic: Distributor of specialty chemicals. SXS instruments often analyze materials, but chemical distribution does not overlap with instrumentation; no direct overlap.
- Encora: provides digital engineering services and AI-driven software solutions.
- Delft Instruments: Based in precision instrumentation for particle analysis or lab tools, likely horizontal overlap with Spectris's analytics equipment.
- H.C. Starck: Produces specialty metals and powder materials. SXS instruments analyze such materials, but this is a vertical upstream supplier scenario, not direct competition.

Overlaps

■ Materials Analysis:

- SXS possesses a strong market presence through its Malvern Panalytical, Micromeritics, and SciAps businesses, offering a comprehensive suite of instruments for material characterization and analysis.
- Laird had expertise in material sciences, but its relevant operations in the segment were sold to DuPont. No other portfolio company directly manufactures materials analysis instruments.
- H.C. Starck and Roehm (specialty metals and plastics) are upstream suppliers, not competitors, potential vertical relationships, but no horizontal overlap.
- Caldic, a distributor of specialty chemicals, has no product or functional overlap with SXS

■ Test & Measurement Equipment:

- SXS is recognized as a major player in the test and measurement equipment market.
- Laird served the "test and measurement" market with its electronic protection solutions. However, Advent has divested these operations.
- Ultra Electronics develops sonar, signal processing, and other advanced electronics that partially align with SXS' signal testing and instrumentation, potential horizontal or adjacent market overlap, especially in defense.
- Cobham provides advanced defense-grade sensing and measurement equipment, possible adjacent overlap in high-end instrumentation, particularly in aerospace and defense testing.
- Rubix supplies industrial MRO products, which could include some basic measurement tools for maintenance, but it is not a manufacturer of high-precision test and measurement equipment comparable to SXS.

■ Precision Instrumentation:

- SXS operates in high-end precision instrumentation, including sensor technology, signal processing, and real-time monitoring for applications in aerospace, semiconductors, energy, and pharma.
- Delft Instruments holds or has held companies involved in analytical and imaging instrumentation, such as particle counters, optical detection, or lab tools, possible horizontal overlap.
- Cobham and Ultra Electronics also partially operate in the precision instrumentation domain, particularly in aerospace/defense, this may attract regulatory attention given the strategic sensitivity in some jurisdictions.
- While overlaps may be modest, the EU and UK have historically scrutinized consolidation in scientific and technical instrumentation due to high entry barriers and concentrated market power.

■ Process Controls / Lab Technologies:

- Aspen Technology (a past investment, now Emerson-owned) provided AI-based manufacturing process optimization software. QuEST Global (a past minority stake) provided engineering services for medical devices.
- The direct horizontal overlap is minimal, as Advent's relevant holdings are either past investments (AspenTech, QuEST Global) or do not directly manufacture lab equipment. Any potential vertical relationships, such as Advent portfolio companies being significant users of Spectris's lab technologies, are unlikely to raise substantial concerns.

■ Software or Analytics used in R&D and Industrial Settings:

- SXS demonstrates a significant and growing focus on embedded software and AI-driven analytics. This includes solutions for data evaluation, remote monitoring, predictive maintenance, real-time analytics, AI-Driven End-of-Line Testing, and AI-Enabled Monitoring Solutions.
- Maxar Technologies provides AI-powered software platforms for geospatial intelligence.
- Encora provides digital engineering services and AI-driven software solutions, possible tech capability overlap, particularly in custom analytics platforms.
- Advent's investment strategy explicitly includes "Technology" as a core sector.
- While not direct competitors selling identical software products, both entities are actively involved in developing and applying AI and analytics in industrial and R&D contexts. This represents a strategic capability overlap rather than a direct product market overlap.

Market position

- Materials Analysis Instrumentation: SXS holds a leading position in this segment. Major global competitors in this space include Thermo Fisher Scientific, Agilent Technologies, PerkinElmer, NanoTemper Technologies, Bruker Corp, JEOL Ltd., and Rigaku Corporation.
- Test & Measurement Equipment: SXS is recognized as a global leader in this segment. Key competitors include Advantest Corporation, EXFO INC, Yokogawa Electric, Fortive Corporation, Rohde&Schwarz, Spirent Communications PLC, National Instruments, Teledyne Technologies Incorporated, Keysight Technologies, and Anritsu Corporation.
- Precision Instrumentation: SXS holds a leading market position. Competitors identified include MTS Systems Corp, Kistler Group, Gefran, Baumer Group, and HUBBELL Incorporated.
- Process Controls / Lab Technologies: SXS is considered a leader in specific areas (e.g., contamination monitoring, protein stability analysis). Competitors include Thermo Fisher Scientific, Agilent Technologies, Becton Dickinson, Mettler Toledo, and Illumina. In lab software/LIMS, alternatives like Scispot and LabVantage exist.
- R&D and Industrial Software/Analytics: This is a growing segment for SXS. Broader competitors include Tableau, Contlo, Qlik Sense, Looker, Alteryx, IBM, SAP Analytics Cloud, Anaplan, Workiva, SAS Viya, and Planful.
- We note that specific numerical market share data for SXS or Advent's portfolio companies within these highly niche markets are not directly available. However, SXS explicitly states it holds "leading market positions in premium segments" and offers "competitive and differentiated offerings".
- Given the minimal direct horizontal overlaps between SXS and Advent's current portfolio companies, the combined market shares in any relevant product market are not anticipated to be a primary concern for the merger. The focus of competition analysis shifts from combined market power to the individual market positions of Spectris and the absence of significant market share contributions from Advent's portfolio companies in these specific segments.
- We note that the relevant markets appear to be competitive and fragmented, with several established players across segments and niche areas where no direct overlaps exist.

CBR view:

- The merger presents limited direct overlap between SXS and Advent's portfolio companies. Most Advent businesses either operate in adjacent markets or have divested relevant segments.
- Key concerns for regulators will focus on SXS' strong position in precision instrumentation and related markets like aerospace, defense, and semiconductors, where some Advent companies (e.g., Cobham, Ultra Electronics, Delft Instruments) have adjacent activities.
- The growing importance of AI and analytics in both parties' offerings may also attract regulatory attention, though this is more about strategic capabilities than direct competition.
- Overall, we expect some regulatory scrutiny, but do not anticipate major antitrust hurdles given the limited competitive overlaps. However, national security concerns in certain jurisdictions with sensitive industrial or defense exposure could present a more meaningful challenge than competition issues and may prolong the approval timeline.

KKR – SXS overlaps

- KKR maintains a vast and diverse portfolio spanning multiple sectors, including Industrials, Information Technology, and Materials. A higher level review of its current holdings reveals some companies that could present overlaps with SXS:
 - **Industrial Physics:** Manufactures materials testing and inspection instruments for plastics, coatings, paper, metals, and more
 - **Circor:** Global manufacturer of highly engineered flow control products for critical applications across industrial, aerospace, and defense end markets
 - **Chase Corp:** Manufactures protective materials (adhesives, coatings) for high-reliability industrial uses
 - **Hyperion Materials & Technologies:** This company is a global leader in hard and super hard materials, including cemented carbide, diamond, and cubic boron nitride technologies. It specializes in premium base materials, tool maker components, engineered products, and process tools for metalworking and manufacturing.
 - **Accuris:** Provides engineering workflow solutions and standards-based software that helps companies manage technical data, compliance, and product development processes.

■ **Materials/Materials Analysis:**

- The most significant potential horizontal overlap with SXS' business would be Hyperion. SXS' Malvern Panalytical and Micromeritics businesses primarily focus on the characterization of materials, whereas Hyperion produces hard and super hard materials and related tools. This distinction is crucial, but regulators might define the market more broadly (e.g., "advanced materials solutions"), potentially leading to horizontal competition concerns. Alternatively, vertical concerns could arise if Hyperion's materials are routinely analyzed using Spectris equipment or serve the same downstream clients.
- Another notable potential horizontal overlap is with Industrial Physics, a manufacturer of materials testing and inspection instruments, directly adjacent to SXS' Malvern Panalytical, Micromeritics, and SciAps businesses.

■ **Process & Flow Control Technologies**

- Circor serves critical flow control systems for energy, aerospace, and defense. While it doesn't compete with SXS' measurement tools, both companies serve overlapping end markets, notably aerospace, where precision instrumentation and process control are integrated.
- The overlap is not direct, but combined presence in these sectors may raise national security reviews (especially in the UK or US).

■ **Software & Industrial Analytics**

- KKR holds software and analytics businesses including Accuris, which delivers engineering workflows and standards content via AI-enhanced platforms.
- SXS integrates software and data analytics into its instrumentation solutions, but Accuris's engineering workflow tools do not compete directly with SXS' embedded or lab-focused software.
- While there's no direct product overlap between Accuris and SXS' software suite, both firms play in industrial analytics and engineering workflows.

■ **Hyperion's Market Position:** Hyperion's self-proclaimed status as a "global leader" in hard and super hard materials could imply a high market share. This might raise horizontal concerns if the relevant market definition is broad enough to encompass aspects of SXS' materials-related activities, or if significant vertical relationships are identified.

■ **CBR view:**

- We believe that a potential SXS/KKR merger would face greater antitrust scrutiny than the Advent deal, primarily due to more pronounced overlaps in materials and industrial technologies.
- Hyperion Materials & Technologies is the most notable case, given its involvement in advanced materials. While not a direct competitor, we expect regulators could explore potential horizontal or vertical relationships with Spectris's materials analysis segment.
- We see Industrial Physics as another area of potential adjacency, given its focus on testing and inspection tools. That said, the level of product overlap appears limited in scope and technical application.
- Circor's activities in flow control for industrial and aerospace sectors may raise minor vertical or conglomerate considerations, but we expect these to be less central in the review.
- Overall, while we anticipate a more detailed antitrust assessment compared to the Advent deal, possibly even Phase II reviews in some jurisdictions, we believe any concerns are likely to be manageable, particularly if the parties engage proactively with regulators.

Timing

- Given the large number of required notifications, the merger timeline may be extended. We expect FDI clearances to be the primary driver of timing, while the Chinese antitrust review adds an additional layer of uncertainty due to its often unpredictable duration. Depending on the outcome of a potential bidding war, the duration of antitrust reviews could vary slightly, but overall no major delays are anticipated. Assuming no significant issues arise, the deal is likely to close by the end of 2025 or, at the latest, in Q1 2026.

SHAREHOLDER VOTE

- The acquisition is subject to shareholder approval via a scheme of arrangement, and must be approved by:
 - At least 75% in value of voting shareholders
 - A simple majority in number of shareholders voting in favor.
- We note that Advent has secured irrevocable undertakings from approximately 0.22% of SXS shareholders in support of the merger.
- We note that SXS has overwhelmingly institutional shareholder base, consisting of long-term asset managers, index funds, and value-focused investors. Historically, such holders tend to be supportive of transactions that offer a clear premium to market value, cash certainty and a management-endorsed outcome.
- The Advent offer includes a significant ~85% premium to the unaffected price, which would typically be sufficient to secure approval.
- Despite the premium, SXS shares have traded above the offer price, suggesting that investors anticipate the possibility of a superior offer, most notably from KKR, which is currently engaged in confirmed due diligence discussions with SXS as a potential competing bidder.
- We note that the shareholder meeting to approve the merger must be held no later than October 7, 2025. This timeline implies that shareholders will have full visibility on whether KKR proceeds with a competing bid before they are asked to vote on the Advent proposal.

- Given this sequencing, we believe shareholders will have a clear view of which bid (if any) is superior, along with a firm board recommendation. As both Advent and KKR are financial sponsors, the decision is likely to hinge primarily on valuation, transaction certainty, and return potential, rather than strategic or long-term industrial synergies.
- Overall, we do not anticipate the shareholder vote to present a significant obstacle, neither for the Advent offer nor in the event of a bidding war. The current offer sets a high floor, delivering immediate and tangible value, which should be sufficient to secure approval unless a clearly superior bid materializes.

COUNTERBID AND OFFER CONSIDERATION

KKR's potential bid

- The parties have publicly announced that KKR submitted a proposal on June 2, 2025 for SXS, which was rejected by SXS initially. SXS [confirmed](#) that they are still engaging with KKR, and that the potential bidder is actively engaged in the advanced stages of due diligence and arranging financial commitments.
- KKR's communication encourages shareholders to take no action on Advent's offer, suggesting a counterbid is under serious consideration.
- KKR owns Hyperion Materials & Technologies, Circor, and Industrial Physics, all active in high-performance materials, flow control, and testing/inspection instrumentation.
- Adding SXS could strengthen their industrial tech cluster, enabling cross-portfolio synergies, operational efficiencies, and greater scale in niche B2B markets.
- We note that the PUSU deadline for KKR is on July 11, 2025.
- We believe KKR is positioning itself for a formal bid and will likely submit one before the deadline, barring unexpected due diligence findings or financing obstacles.

Other bidders

- We note that no other bidders have publicly emerged.
- We do not expect significant strategic interest, as industrial buyers would likely face more significant overlap risks and regulatory delays, particularly in Europe and China. Additionally, strategic buyers are less likely to match the valuation financial sponsors can justify, as they typically cannot unlock the same value through staged divestitures of SXS's high-growth business lines. With the current offer already at a stretched valuation, this limits their ability to compete on price.
- While other PE firms (e.g. Carlyle, Bain, EQT) could theoretically be interested, we believe the tight timeline and already rich valuation leave limited room to justify a competitive bid.
- We expect that any new entrant would need to move extremely quickly, with due diligence and financing in place within two weeks, which is a high hurdle at this stage.

CBR comment:

- We believe KKR represents the only credible alternative to Advent and has already cleared the initial threshold of board engagement and due diligence access.
- We expect a firm bid is more likely than not, given KKR's public posture and the strategic value of the asset within its portfolio.

Offer consideration

- SXS initially received an unsolicited offer from Advent at £30.50 per share, which the board deemed insufficient in reflecting the company's true value.
- Advent subsequently submitted four revised proposals, culminating in the current £37.63 per share offer (including the permitted 28 pence dividend), which the board has now recommended.
- The current offer implies a substantial premium for SXS. Our ROIC and LBO analysis suggests the valuation may be stretched under the company's current standalone structure.
- However, Advent has indicated it would support growth across SXS' various divisions, potentially through targeted acquisitions, with a longer-term strategy of eventually separating and divesting the business units individually.
 - We note that a comparable approach was previously seen in its handling of Cobham, acquired for £4 billion in 2020. Advent later added Ultra Electronics to the portfolio and proceeded to break up and sell parts of the combined business, ultimately achieving strong returns.
- We assume Advent's valuation reflects a sum-of-the-parts approach, assigning distinct value to each of SXS's business units based on their individual growth profiles, which could justify the otherwise stretched headline valuation.

Potential bidding war

- Based on our ROIC and LBO models, we do not see significant room for a materially higher bid. Any KKR bid would likely fall within a similar valuation range as Advent's current offer.
- We believe a full-scale bidding war is unlikely, as private equity bidders are bound by return thresholds, and unless one party sees incremental upside (e.g. via synergies or accelerated growth), pricing discipline will hold.
- That said, KKR has historically demonstrated a willingness to outbid rivals where a target aligns with a broader strategic vision, even at the expense of stretched valuations or added regulatory complexity.

- A recent example is the Assura bidding process, where KKR initially made a modest improvement to win board support but later raised its offer more substantially in response to competition from PHP, signaling its readiness to compete aggressively when the asset is deemed strategically valuable.
- KKR may also view SXS as a sum-of-the-parts opportunity, with the potential to extract value through targeted divestitures or integration with its existing industrial portfolio (e.g., Hyperion, Circor, Industrial Physics).
- As a result, while we do not anticipate an aggressive back-and-forth bidding war, we do see room for incremental price adjustments or matching offers, particularly if KKR seeks to signal intent or force negotiation.
- We believe the maximum plausible upside in a bidding scenario would likely be in the 5-10% range from the current offer, implying a final price in the 3,950 to 4,140 pence per share range. Anything above that becomes increasingly difficult to justify.
 - However it is important to emphasize that the valuation framework used by private equity in these cases is highly non-linear, as it is likely built on segment-by-segment assumptions, exit optionality, and operational improvement levers.
 - The current 3,763 pence price already implies a rich valuation on a consolidated basis, so any bump would reflect conviction in upside from breakup value or superior execution.
- Overall, we see limited room for a large bidding war-style uplift. A modest sweetener to secure the deal or match a competing offer is more likely than a materially new valuation paradigm.
- Should KKR ultimately walk away, we expect Advent's high-premium offer to proceed uncontested, as no credible third-party bidders are likely to emerge within the transaction's timeline.

Valuation

STANDALONE VALUE

- SXS currently trades above the peer median on an EV/EBITDA basis and roughly in line with peers on P/E.
- Historically, the stock traded at a ~30-50% EV/EBITDA discount to peers, suggesting the current valuation reflects some deal premium and improving fundamentals.
- While SXS's end markets remain cyclical, we believe the business is on a recovery trajectory, with key headwinds largely behind it. The negative share price reaction to early 2025 earnings appears somewhat exaggerated in our view.
- In a deal break scenario, we see material downside risk. The current offer embeds a significant premium; without it, SXS would likely revert to a 20-25% discount to peers on EV/EBITDA (implied range: ~9.9x–10.6x). This would point to a standalone valuation of approximately GBP 21.75-23.50 per share.

Company	Ticker	Price	Mkt Cap (mn)	FY1 EV/ EBITDA	FY2 EV/ EBITDA	EBITDA CAGR	FY1 EBITDA Margin	FY1 PE	FY2 PE	EPS CAGR
SPECTRIS PLC	SXS LN	38.82	3,851	16.1x	14.2x	12.9%	19.8%	24.6x	21.0x	10.4%
HALMA PLC	HLMA LN	32.04	12,187	22.7x	21.3x	7.5%	23.9%	32.0x	29.6x	8.4%
VAISALA OYJ-A SH	VAIAS FH	49.50	1,839	16.1x	14.2x	9.9%	19.1%	26.7x	21.8x	12.6%
NOTE AB	NOTE SS	176.10	5,016	9.9x	8.8x	9.7%	13.1%	17.6x	15.3x	14.3%
HEXAGON AB-B	HEXAB SS	95.20	258,103	13.3x	12.1x	5.3%	36.4%	225.1x	201.3x	7.5%
OXFORD INSTR	OXIG LN	19.08	1,115	10.9x	10.0x	5.2%	19.9%	17.2x	15.6x	7.5%
Average				14.6x	13.3x	7.5%	22.5%	63.7x	56.7x	10.7%
Median				13.3x	12.1x	7.5%	19.9%	26.7x	21.8x	10.5%

Source: CBR and Bloomberg

PREMIUM

The Offer Value represents an attractive premium of:

- 84.6 per cent. to the Closing Price of £20.38 on 6 June 2025 (being the last Business Day before the commencement of the Offer Period);
- 74.6 per cent. to the volume-weighted average price in the three months to 6 June 2025 of £21.55; and
- 57.0 per cent. to the volume-weighted average price in the six months to 6 June 2025 of £23.97.

PRECEDENTS

The current Advent offer values SXS at 27.5x EV/LTM EBITDA and 15.6x EV/FY1 EBITDA.

- These multiples position the deal at the higher end of the range compared to recent private equity and strategic takeovers in adjacent sectors, particularly considering SXS' diversified industrial and instrumentation profile.
- PPD / Thermo Fisher (2021): Valued at 20.0x EV/LTM EBITDA and 20.5x EV/FY1 EBITDA.
- ManTech / Carlyle (2022): Executed at 15.9x EV/LTM EBITDA and 16.5x EV/FY1 EBITDA.
- Maxar Technologies / Advent (2022): Closed at 12.2x EV/LTM EBITDA and 11.6x EV/FY1 EBITDA.
- Circor / KKR (2023): Valued at 31.5x EV/LTM EBITDA and 11.1x EV/FY1 EBITDA.
- Chase Corp / KKR (2023): Taken private at 15.8x EV/LTM EBITDA and 13.2x EV/FY1 EBITDA.

LBO

- We see limited room for PE bidders to offer a takeout price substantially above GBp 3,763/SXS. However, the model is not highly sensitive to moderate price increases, so an uplift of around 5-10% would still yield a comparable IRR.
- Our assumptions include
 - Offer at GBp 3,763/SXS share
 - 6% LT growth rate
 - GBP626 million Net debt as of January 31, 2024
 - LT EBITDA margin 18%
 - Equity participation 80%
 - Leverage 2.8x in FY1, declines to 2.0x in FY2.
 - Interest coverage 4.4x in FY1
 - Credit spread 3.5%
 - 23% tax rate
 - 5-year IRR of 8.8%
 - no synergies

Sensitivity tables

		Bid Price (GBP)						Bid Price (GBP)						Bid Price (GBP)						
		3,763	3,951	4,149	4,356	4,574		3,763	3,951	4,149	4,356	4,574		3,763	3,951	4,149	4,356	4,574		
EBITDA Marg	14.0%	6.8%	6.6%	6.4%	6.2%	6.1%	LT Growth	0.0%	7.9%	7.7%	7.5%	7.3%	7.2%	EVEBITDA	13.6x	6.3%	5.4%	4.5%	3.5%	2.6%
	16.0%	7.8%	7.6%	7.4%	7.3%	7.1%		3.0%	8.3%	8.2%	8.0%	7.8%	7.6%		14.6x	7.6%	6.6%	5.7%	4.8%	3.8%
	18.0%	8.8%	8.6%	8.4%	8.3%	8.1%		6.0%	8.8%	8.6%	8.4%	8.3%	8.1%		15.6x	8.8%	7.9%	6.9%	6.0%	5.1%
	20.0%	9.7%	9.6%	9.4%	9.2%	9.1%		7.5%	9.0%	8.8%	8.7%	8.5%	8.4%		16.6x	9.8%	8.9%	8.0%	7.1%	6.1%
	22.0%	10.6%	10.5%	10.3%	10.2%	10.0%		10.0%	9.4%	9.2%	9.1%	8.9%	8.7%		17.6x	10.9%	10.0%	9.0%	8.1%	7.2%

Source: CBR and Bloomberg

ROIC

We estimate the ROIC to be in the mid-single digits. While the return profile appears modest, the model shows limited sensitivity to changes in the offer price. As a result, a slight price increase would not significantly erode returns.

- We assumed:
 - effective tax rate of 23%
 - GBP50 million annual synergies (~5% of cost base)

ROIC calculations

Deal value (£m)	2025	2026	2027
Bid price (/sh.)	37.63	37.63	37.63
O/S (m)	99	99	99
Market value (m)	3737	3737	3737
Net Debt (m)	626	626	626
Deal value (m)	4363	4363	4363
ROIC calculation			
BEST Operating Profit (m)	235	261	280
Synergies	50	50	50
Adj. Operating Profit (m)	285	311	330
Tax (23%)	66	71	76
NOPAT (m)	220	239	254
ROIC	5.0%	5.5%	5.8%

Sensitivity tables

Price vs Operating profit

		Bid price (£/share)				
		37.6	39.5	41.5	43.6	45.7
2027 Op. Profit (£m)	240	5.1%	4.9%	4.7%	4.5%	4.3%
	260	5.5%	5.2%	5.0%	4.8%	4.6%
	280	5.8%	5.6%	5.4%	5.1%	4.9%
	300	6.2%	5.9%	5.7%	5.4%	5.2%
	320	6.5%	6.3%	6.0%	5.8%	5.5%

Price vs Synergies

		Bid price (£/share)				
		37.6	39.5	41.5	43.6	45.7
Ann. Cost Syn. (£m)	0	4.9%	4.7%	4.5%	4.4%	4.2%
	25	5.4%	5.2%	4.9%	4.7%	4.5%
	50	5.8%	5.6%	5.4%	5.1%	4.9%
	75	6.3%	6.0%	5.8%	5.5%	5.3%
	100	6.7%	6.4%	6.2%	5.9%	5.7%

Source: CBR and Bloomberg

ANALYST TARGET PRICES

- Fundamental analysts' target prices for SXS LN ranged between GBP22.50 and GBP31.35 before the merger announcement.

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