

BlueMind Fabulous 40 - Industrial Markets

Translation of survey published in PT Industrial Management (2011)



‘Seven poor years and two golden weeks’

Companies abroad are very interested in acquisitions in the Netherlands

'Seven poor years and two golden weeks', is a known saying in shipbuilding. What makes it an even more remarkable fact that the first Fabulous 40 Industrial Markets (developed by BlueMind) contains ten companies from this sector, but also that two of these ten are at the top of the list. At number one we have shipbuilder Shipyard De Hoop and in the second place we have Veth Propulsion, manufacturer of, amongst others, bow screws.

Text: Freek Andriess



Managing Director Patrick Janssens of Shipyard De Hoop

Managing Director Patrick Janssens of Shipyard De Hoop was pleasantly surprised to learn that his company took the first place in the very first Fabulous 40 Industrial Markets-list. On the other hand this strong increase in turnover is definitely not a surprise. This is primarily due to a number of strategic decisions that were made in 2004 by himself and the former director-owner. In that year, Janssens was hired as general director of three shipyards. Two of these were sold quickly. The proceeds were then used to make the remaining shipyard De Hoop financially independent so that they could set their own course. In 2007, a small yard was purchased in Foxhol

in Groningen. One year later Janssens acquired both yards through a management buyout. Meanwhile the company has a three-member executive board.

Shipyard De Hoop is sailing its own course. The core aspect is working closely with clients in the design phase and then building special ships with high added value. 'Ships can be built all over the world. Therefore, price competition is enormous. There is no point in taking on that fight. I am not interested in filling my production with predatory pricing', says an enthusiastic and fast-speaking Janssens. However a good living can be earned in building

special ships for specific market segments, which are independent from one another, therefore spreading the risk. For example railway layers, ships for diving support, ships for the off shore-sector and luxury passenger ships for river shipping. Shipyard De Hoop's strength lies in the way they work and the mentality of the people. Based on their enormous engineering knowledge (the company is more than 100 years old), one off-ships are developed so smart and production-friendly that the clients demands are more than met and they are able to build much more efficient and faster than the competition. Thanks to a smart design in combination with a flat, flexible organisation, Shipyard De Hoop is able to operate up to four times faster than the competition. The fact that about 80 percent of the turnover is booked from existing clients attests to the fact that this appeals to the client. It is very important for every shipyard to have the basic disciplines under control properly. However, for director Janssens of Shipyard De Hoop, these disciplines are such a large critical success factor that he has started insourcing activities, while other yards are in fact outsourcing the roughing, the interior design, the installation work and even the building of the entire hull in an increased rate. When the recession was announced at the end of 2008, Janssens' business model was already proven.

Shipbuilding and environment

The Fabulous 40 Industrial Markets was developed based on research by BlueMind Corporate Finance. The firm calculated the average annual increase in total revenues in the period 2007-2009. In these years Shipyard De Hoop booked an average annual increase in total revenues of 64% and Veth Propulsion realized an increase in total revenues of 50%. A very good performance, considering the fact that 2008 and 2009 characterised the deep-

supply), which has ten companies, the environmental engineering sector (climate engineering, water treatment etc.), with nine companies, is also well represented. Manufacturers of (internal) transport (4), medical equipment(4), machinery(4) and steel constructions(3) are less present in the overview. Itho Daalderop (central heating and water heating equipment, ventilation systems) is one of the nine companies from the environmental engineering corner. Director Bart



"We reassess our strategy every year"

est recession for the Western world since the 1930's. This is clearly visible in the overview.

The average growth of all companies in the Fabulous 40 Industrial Markets is barely 17%. Nineteen of the forty companies have an average growth below 10%. Eight companies have a growth between 10% and 20% and 13 companies experienced an average increase in total revenues of 20% or more in the period 2007-2009. The sectors in which these 40 fastest growing companies operate are also very important. In addition to shipbuilding (and

Romeijn doesn't have to think too long about the question of why the company booked an increase in total revenues in a recession period: 'This was the result of the constant introduction of entirely new or improved products over the full extent of the product range.' The secret behind the success of this traditional Dutch company lies deeper than just innovation. Itho Daalderop concentrates on the housing market and offers a full range of products for this segment that are aimed at increasing comfort and reducing energy consumption. 'Consumers want both',

Romeijn emphasized. 'Both demands can be met by offering a coherent product package.' Another success factor is that the company doesn't only take care of the engineering, but is also active in manufacturing. As a result a new product is quickly ready for production and, thanks to close cooperation between the engineers and production people, the production can be done relatively inexpensive, even in the pricy Netherlands. Therefore focus and in-

novation are the two cornerstones of the Itho Daalderop growth strategy. According to Romeijn this strategy was established based on a fundamental discussion, where the main point of view was that the company could not and would not compete with the price busters. 'We reassess our strategy every year, to ensure that we don't suffer from the boiled frog syndrome', says Romeijn.

"I am not interested in filling my production with predatory pricing"

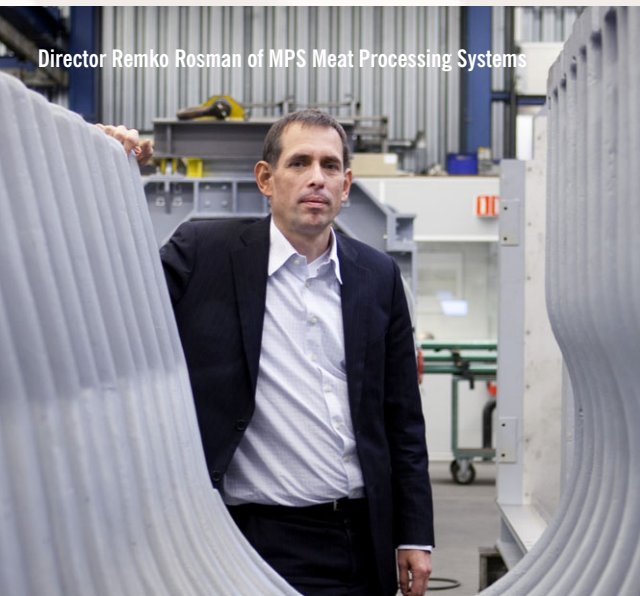
Decrease in turnover

Almost all the companies in the Fabulous 40 Industrial Markets experienced an increase in turnover in 2008 compared to 2007, but in 2009 16 of the 40 companies experienced a decrease in turnover. MPS Meat Processing Systems is one of the companies that experienced such a decrease in turnover. The average increase in turnover in the period 2007-2009 therefore was a small 2,9%. This is lower than the average increase in turnover over a longer period. 'Our autonomous growth since 2002 is about eight percent. Since then we have also made two acquisitions', director Remko Rosman explains. MPS originated when Stork RMS became an independent company. In addition to slaughter lines

Director Bart Romeijn of Itho Daalderop



Director Remko Rosman of MPS Meat Processing Systems



and cutting rooms for red meat, the company also makes logistic systems and water purification systems for the food industry. 'To us, top line growth is number one', Rosman emphasizes. This growth was achieved in various ways: by higher sales and services to existing clients, and by seeking new geographic markets. New markets for MPS include Russia, Africa and the Middle-East. Director Rosman knows very well that the fastest way to grow is by being active in new markets; he claims that they became market leader thanks to a combination of quality and innovation. Every year he spends almost eight percent of turnover on innovation, which is considerably higher than the average for the Dutch

"To us, Top Line growth is number one"

based company. The company also sells sorting systems for mail and packages and automation systems for warehouses. Vanderlande is one of the larger companies in the Fabulous 40 Industrial Markets.

Jan Hulsmann is a member of the executive board and he is responsible for the 'distribution' and 'parcel and postal' divisions. Hulsmann contributes the fact that his company actually grew during the previous recessions and is expected to grow even more in the coming period of economic recession, to two factors. The first being that companies go looking for a way to save on costs when the economy is struggling. And the best way to do that is to automate, thus replacing people by machines. 'Another important argument for automation is also the lack of suitable people', says Hulsmann. 'Our clients therefore hit two birds with one stone'. Not only the efficiency drive blows wind into the sails of the Veghel based company. The trends also do this. 'The trends are our friends. We are in the middle of a period of shifting from bricks to clicks', Vanderlande's director concluded. Internet sales are ever growing. Resulting in more and more packages that have

ments relatively inexpensive. Increase in turnover with existing clients. What more could a company want? Vanderlande Industries has since become known as a medium sized multinational. The Brabant based company sells her systems for baggage handling all over the world, the growth mainly comes from Asia. The increase in turnover for systems for distribution centres, mail and package processing mainly takes place outside of Europe.

The future

Thanks to a sophisticated business model, Shipyard De Hoop has even booked a substantial increase in turnover in the recession of 2009. Janssens says that, with the current yards, they have reached an 'optimum', which means that the limits of the maximum turnover are coming into view. Take over another yard? 'No', was the firm answer from the director of Shipyard De Hoop. 'If we were to expand even more, it would inevitably imply an addition of management layers. This will be at the expense of our efficiency and flexibility. I want to see if there is more to be gained in the current setup, but this with a continued sharp focus on our personal at-

"We are in the middle of the shift from bricks to clicks"

engineering industry. MPS sells integrated systems, instead of separate machines. The innovation relates to specific parts of the slaughter line. MPS was the first to introduce automated electric anaesthesia. Since then they have also introduced anaesthesia using CO₂.

From bricks to clicks

Another company that also makes integrated systems is Vanderlande Industries. Many airports use the baggage handling systems of the Veghel

to be sorted. That is impossible without automated handling systems. Hulsmann claims to have more and more clients in the online sales corner that grow so rapidly, that they invest annually in the expansion of their handling capacity. A very attractive point is that the interest rate is low, making the funds for such invest-

Executive Board Member Jan Hulsmann of Vanderlande



tention to the product.' 2012 might become a difficult year for the shipbuilding sector as a whole. This is not only caused by the global economy, but also because the (favourable) financing regime changes. But Janssens is all but pessimistic for the time being: 'Everyone is very careful at the moment and this is exactly when one should take chances. And we can do that because we are strong and financially independent'. Director Rosman of MPS Meat Processing Systems also has a positive view on the future. He believes to be able to substantially supplement the autonomous increase in turnover in new markets with growth by acquisitions. The only restriction to growth is enough qualified people.

For Vanderlande Industries, just as for MPS and Shipyard De Hoop, the world is its market. The turnover for 2011 is expected to reach the same level as 2010. Based on the order book, director Hulsmann expects that the turnover for 2012 will exceed 2011. Because the global economy will not grow as fast and due to cutbacks by many governments, the turnover from baggage handling systems may possibly decrease. However, this will be more than compensated for by the increase in turnover from the sale of more systems for package handling. Another impulse for an increase in turnover is the growing demand for service. Hulsmann: 'We have noticed that more and more of our clients limit themselves to their core activities. For example, a fashion company that sells via internet. Handling order flows and return flows is a field in its own. We have taken over more and more of this, even as far as supplying the work force.

If you look at Vanderlande Industries from a distance, you will see a company that makes processes with its business to business-clients more efficient, helping these clients to do their work cheaper and/or better. And this is also the common denominator

BlueMind and private equity

The very first study for the fastest growing companies in the Dutch manufacturing industry is a BlueMind initiative. The study was performed exclusively for PT Industrial Management. BlueMind assists with the sale and acquisition of companies, management buy outs and the funding thereof by banks and investors. They do this on a global scale. The standard for the growth is the so-called compound annual growth rate, which is the average growth percentage

of the total revenues in a specific period. The study was aimed at the years 2007-2009. The selection criteria are presented at the bottom of the list. The information in the overview is based on details from the Chamber of Commerce, Orbis and Zephyr, websites and interviews.

Managing partner Bart Jonkman of BlueMind says that it is 'remarkable' that the shipbuilding and climate engineering sectors are so prominently represented in the first Fabulous 40 Industrial Markets. Also remarkable is that 15 of the 40 companies were involved in a merger or acquisition. That high number is not surprising to Jonkman: 'companies abroad are very interested in acquisitions in the Netherlands and many Dutch industrial companies are already owned by foreign companies.'

The Fabulous 40 Industrial Markets also indicates that, in 16 of the 40 companies, private equity was involved as investor. According to advisor Marleen Vermeer, who was closely involved in the establishment of the list, this was due to the international orientation of both the Dutch industry and private equity. In general private equity is interested in industrial companies with a strong international focus, in particular in the companies that grow fast. According to Vermeer it is expected that, partly considering the economy, companies are on the lookout for a strong financial or strong strategic party. The industry is capital intensive and relies significantly on external funding. This funding has become even more difficult. Because of the recession of 2008/2009 banks have become much more careful. Thanks to the rising economy that has eased up somewhat, but not back to pre-recession levels. Jonkman: 'in 2007 a bank would easily finance six times the EBITDA, in the recession that was hardly two times and now it is approximately three or four times EBITDA. Fortunately private equity still has lots of money.'

Dutch companies in the manufacturing industry still have plenty of opportunities for growth. As long as they focus themselves on the international market, according to Vermeer from BlueMind. The manufacturing companies that do this will have the best opportunity for financing by private equity. And capital is a *condicio sine qua non* for rapid growth. The strength of Dutch industrial activities does not go unnoticed abroad. For example, Micron Technology acquired Numonyx in 2010. A foreign buyer was involved in approximately one third of all transactions in the Dutch industry over the past few years. But the Netherlands are also very active abroad.

of the companies in the Fabulous 40 Industrial Markets. Those that perform best will be at the top of the list of fastest growing companies in the

Dutch manufacturing industry next year. A possible recession will do little to diminish this.



BlueMind Fabulous 40 - Industrial Markets

	Company	Sector	Total revenues 2009 in mln. €	Total revenues 2008 in mln. €	Total revenues 2007 in mln. €	CAGR (percent growth)	M&A activities	Private equity
1	Shipyard De Hoop	Ship-building	121.1	86.4	44.8	64.35%	✓	
2	Veth Propulsion	Marine components	44.5	31.1	19.9	49.60%		
3	VE Group*	Climate Technology	47.0	24.2	21.9	46.61%	✓	
4	Hillebrand	Steel Construction	16.5	13.8	8.6	38.69%		
5	Wassenburg Medical Devices	Medical Devices	25.7	15.8	13.6	37.40%	✓	
6	Logisticon Water Treatment	Water Treatment	23.5	13.2	13.5	31.91%		
7	Heerema Fabrication group	Offshore	327.6	242.6	194.0	29.95%		
8	Bakker Slidrecht	Electronics	110.7	87.9	71.9	24.11%		
9	Remeha / BDR Thermea	Climate Technology	851.1	617.9	557.6	23.54%	✓	✓
10	VeKa Group	Ship-building	250.5	240.9	167.7	22.21%	✓	
11	NEM	Energy	385.2	438.0	261.8	21.29%	✓	✓
12	Kenz-Figee	Marine/offshore cranes	16.1	11.6	11.0	21.15%		
13	IHC Merwede	Ship-building	1,132.0	1,092.1	775.5	20.82%	✓	✓
14	Plasticon	Storage and transport systems	89.7	79.9	62.4	19.86%	✓	✓
15	De Kooiman Groep	Ship-building	54.5	47.7	38.4	19.14%		
16	Lely Groep	Agricultural machinery	201.6	245.6	144.0	18.32%	✓	
17	Syndus	Steel Construction	53.3	57.5	39.5	16.13%		
18	Vanderlande Industries	Handling systems	655.8	610.6	495.5	15.03%		✓
19	Harting-Bank	Medical Devices	110.5	96.5	83.7	14.89%	✓	✓
20	Huisman	Construction equipment	284.8	307.4	230.7	11.11%	✓	
21	Interduct	Climate Technology	43.0	37.9	35.5	10.00%		✓
22	TBI Techniek groep	Technology	948.0	1,048.4	801.3	8.77%	✓	
23	Agmi Group	Traffic	14.8	13.7	12.5	8.58%	✓	✓
24	Intergas	Climate Technology	66.1	62.5	56.3	8.40%		
25	All-in liften	Lifts	15.3	15.1	13.1	8.13%		
26	Andus Group	Steel Construction	164.8	192.2	142.9	7.41%	✓	
27	Livit	Medical devices	48.0	44.5	41.7	7.25%	✓	✓
28	Fontijne Grotnes	Machinery	33.1	29.9	29.0	6.83%		✓
29	Frames	Oil & Gas systems	89.3	83.9	79.1	6.21%		✓
30	Heesen yachts	Ship-building	115.9	121.0	104.1	5.51%		✓
31	Nedcard	Semiconductor	17.7	18.3	16.1	4.74%		✓
32	Petrogas	Oil & Gas systems	32.9	41.1	29.6	5.36%		
33	Solid Semecs	Electronics	32.5	34.4	29.3	5.28%		✓
34	Daalderop	Climate Technology	38.4	39.2	34.8	5.02%		✓
35	Verhulst	Climate Technology	18.2	19.1	16.9	3.95%		
36	Medical Measurement Systems	Medical devices	13.3	12.0	12.4	3.33%		
37	MPS Meat Processing Systems	F&D machinery	71.9	85.7	68.0	2.87%		✓
38	WEMO	Machinery	20.5	22.8	19.4	2.65%		
39	Hommema / Oostendorp	Electronics / Climate Technology	41.2	43.2	39.3	2.32%		
40	SAS	Offshore	38.7	51.5	37.3	1.88%		

Selection criteria for compiling the above list:

- Headquarters in the Netherlands
- Active in the production of "engineered products" (high level of design, continuous innovation and a high degree of precision required)
- At least € 10 million total revenues (including possible changes in work in progress) in one of the three measured years
- Majority stake owned by Dutch shareholders or foreign private equity firms
- Not listed
- Figures for all three years must be known and registered by June 1, 2011

The companies in this list are active in the production of engineered products. The sector includes manufacturers of components, automation and producers of finished products. What these companies have in common is the business model: using technical engineered products and innovative technology to provide added value in the supply chain. Should there be confusion, discussion as to inclusion in the list or suggestions for improvement, please contact marleen.vermeer@bluemind.nl or +31 (0)73 623 87 74.

Total Compound Annual Growth Rate: 16,93%

(*)Vermeer Eemhaven has grown in the years measured, but is now bankrupt.



BlueMind B.V. Corporate Finance Strategy
Europalaan 6 | 5232 BC 's-Hertogenbosch | The Netherlands
T +31(0)73 623 87 74 | F +31(0)73 623 87 75
www.bluemind.nl

