

Eaton Commits to Acquire Souriau-Sunbank Connection Technologies for \$920 Million

Eaton Corporation plc (NYSE:ETN) announced it has committed to acquire the Souriau-Sunbank Connection Technologies business of TransDigm Group Incorporated for \$920 million, which represents a trailing 12-month EBITDA multiple of approximately 12x.

Headquartered in Versailles, France, Souriau-Sunbank is a global leader in highly engineered electrical interconnect solutions for harsh environments for customers in the aerospace, defense, industrial, energy, and transport industries. Founded over 100 years ago, the company has a workforce of approximately 3,200 people and manufacturing facilities in France, the Dominican Republic, India, Morocco, Mexico, and the United States. For the trailing 12-month period ending June 30, 2019, sales of the business were \$363 million.

“Souriau-Sunbank is a great fit with our current aerospace portfolio,” said Craig Arnold, Eaton chairman and chief executive officer. “Souriau-Sunbank’s extensive connectors capabilities will accelerate our participation in the growing market for electrical content on aircraft, and also give us a strong portfolio of connectors for the industrial, energy, and transport markets that we serve today.

Patrice Cavelier-Bros, president, Souriau-Sunbank, said, “We are extremely pleased to become part of Eaton. This combination will better position our businesses and brands to serve our customers and generate growth.” Completion of the acquisition is subject to the required consultation processes with works councils, customary closing conditions, regulatory approvals, and TransDigm’s completion of other required steps. The transaction is expected to close by the end of 2019 and be accretive to adjusted earnings per share in 2020.

Bishop Comments

- Eaton currently produces mil spec and various harsh environment connectors and cable assemblies including MIL-DTL-38999 Series III and IV, MIL-DTL-26482, MIL-DTL-10544, MIL-DTL-12520, MIL-DTL-55116, MIL-DTL-55181, MIL-STD-1760 and NATC-NASA SSQ 21635. Souriau produces many of the same kind of connectors and assemblies, which will be well-known to Eaton, and will broaden their product offering, while Sunbank will complement their connector and cable assembly offering with a wide variety of accessories.
- A 12-month EBITDA multiple of approximately 12x is high but has been common in the acquisition of connector companies over the last 10 years.
- In 2018, Eaton’s interconnect sales were estimated to be \$82.2 million, ranking Eaton as the 77th largest connector company worldwide. Adding Souriau-Sunbank’s sales of \$363 million, Eaton becomes the 23rd largest connector company in the world.