

Perfect market timing, attractive value dynamics and a strong position

Acquired company
Centa (Revenue: \$110m)

Acquirer
Rexnord

Technology
Power transmission

End markets
Marine, wind, construction
and mining machinery, rail

Rexnord acquired Centa in 2018, a manufacturer of flexible couplings for wind, marine and construction machinery applications. Plural's due diligence gave Rexnord a clear understanding of a new sector (marine), provided confidence in the investment case and has been a valuable reference point since.

The context

Rexnord had the opportunity to acquire Centa but faced some challenges to be confident in its investment case and decision to proceed:

- Rexnord is a market leader in power transmission – Centa was a good fit with its core markets such as wind but was also significantly exposed to marine – a new sector for Rexnord
- Marine, at face value, was in cyclical decline and Rexnord did not know exactly where the market was in its cycle and how that related to Centa's addressable markets
- Centa was a family business and lacked organized data to help understand the business

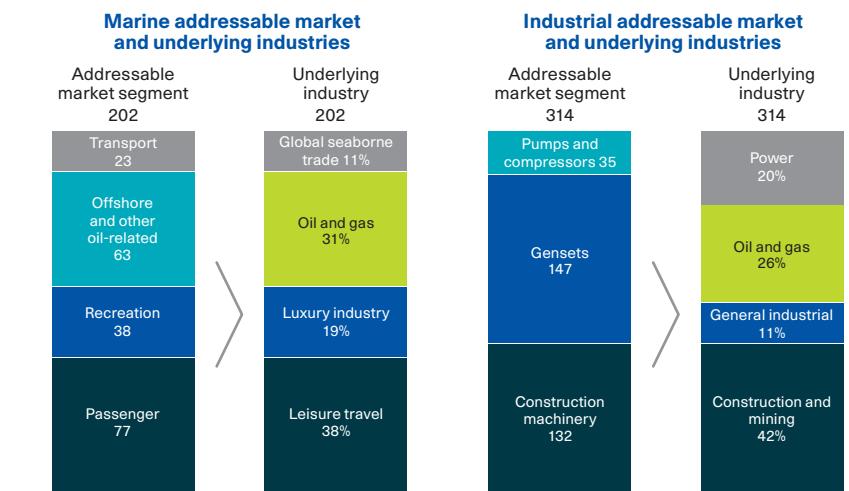
What we did, and how it added value

Plural's bottom-up market model gave the client valuable data points that it could then feed into its investment case and use as a market map both pre and post-acquisition. The model was critical in providing clarity on the marine vessel cycle and outlook, which had been in decline since 2014.

Due to the lack of data accessible internally, our work was an essential element in defining the business and where it competes. Our interaction with the OEMs and end users (in-depth discussions and quant survey) provided significant insight on Centa's customer base and position within its markets.

Centa's end market exposure is relatively diversified within marine and industrial; exposure to the oil and gas sector is c. 30%

Flexible couplings addressable market end market exposure, \$m



Source: Plural Analysis, expert interviews, Sea Europe; Boat International; CLIA; WEO; IMF; World Bank; KNOEMA; EIA; WTO; OICA; IGU; WMC; McKinsey

Our recommendation and key insights

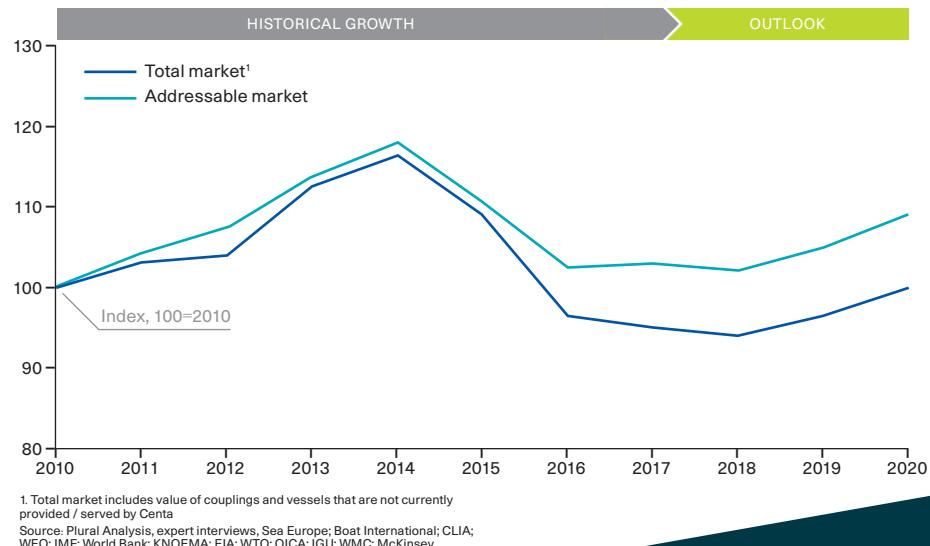
Plural recommended that Rexnord should acquire Centa due to market timing, attractive value dynamics and its strong positioning:

- **Market timing:** Whilst it looked like the overall market was still in decline, the core addressable market was exposed to more positive underlying drivers and leading indicators suggested that the segments in decline had most likely reached a bottom
- **Attractive value dynamics:** There is a large installed base and the aftermarket almost always goes back to the original couplings manufacturer, with high proportion of like-for-like replacement – favoring market leaders and creating high barriers to entry
- **Positioning:** Centa was a market leader in a limited competitor set with strong OEM and end user relationships. A number of go-to-market synergies with Rexnord provided opportunity to achieve above-market growth, particularly in wind and construction machinery

The outcome

Rexnord proceeded - the addressable marine market reached its bottom and achieved uplift in 2018 and the acquisition has added substantial value to Rexnord's core business. Rexnord continue to use Plural's work as a point of reference as it implements its post-acquisition strategy.

Centa's addressable market is expected to see a slow recovery due to positive underlying drivers, at a faster rate than the overall marine couplings market
Addressable and total market size 2010-2020F, estimated – at constant 2016 prices (\$m, index 100=2010)



About us

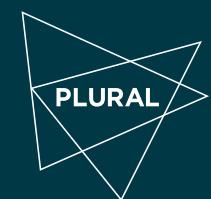
We provide our clients with clarity and confidence to make strategic growth decisions in specific industrial technology segments, particularly where mechanical technology, digital technology and analytics are converging.

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