

Deal of the Week: Emerson to Buy Open Systems International for \$1.6B

Announcement Date	<ul style="list-style-type: none"> August 27, 2020 	
Acquirer	<ul style="list-style-type: none"> Emerson Electric Co. (NYSE: EMR) 	
Acquirer Description	<ul style="list-style-type: none"> A technology and engineering company providing solutions to industrial, commercial, and consumer markets worldwide Operates through Automation Solutions (measurement and analytical instrumentation, industrial valves and equipment, and process control software and systems) and Commercial and Residential Solutions (residential and commercial heating and air conditioning products) segments Founded in 1890 and headquartered in St. Louis, MO 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$42.3 billion EV: \$47.0 billion LTM Revenue: \$17.2 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$3.5 billion LTM EV / Revenue: 2.7x LTM EV / EBITDA: 13.4x
Target Company	<ul style="list-style-type: none"> Open Systems International (“OSI”) 	
Target Description	<ul style="list-style-type: none"> Supplier company of open automation solutions for real-time management and optimization. The company’s systems are used for the real-time management and optimization of production, transport, and delivery networks for utilities in the electric, oil and gas, transportation, and water industries Founded in 1992 and headquartered in Minneapolis, MN 	
Target Financial Statistics (Privately held)	<ul style="list-style-type: none"> Mkt Cap and EV: NA LTM Revenue and EBITDA: NA 	<ul style="list-style-type: none"> LTM EV / Revenue: NA LTM EV / EBITDA: NA
Acquirer Advisor	<ul style="list-style-type: none"> Centerview Partners 	
Target Advisors	<ul style="list-style-type: none"> Wells Fargo and Lazard 	
Price / Consideration	<ul style="list-style-type: none"> \$1.6 billion 	<ul style="list-style-type: none"> Cash
Rationale	<ul style="list-style-type: none"> OSI’s advanced modular technology offers customers tailored solutions for their power grid management needs and is scalable to other industries. Combining this technology with Emerson’s Ovation control system, which is a market leader for power generation control, will provide utility customers with increased visibility into the current status of their power system, enabling unparalleled ability to optimize energy efficiency from generation through customer delivery –enabling the broader industry goal of minimizing carbon footprint “Emerson and OSI share a commitment to excellent customer service and offering advanced technologies to help customers manage the reliability and resiliency of the electric grid,” said Bahman Hoveida, President & CEO of OSI Inc. “We are excited to combine our advanced technologies, engineering expertise and unsurpassed customer service not only to better serve our electric power customers but also to expand the reach of this critical software into other industries with the Emerson team.” “OSI is a great business with a track record of high growth, strong profitability and long-term customer loyalty. This acquisition builds on Emerson’s software footprint and supports customers in providing comprehensive end-to-end solutions to help the power industry continue transforming to meet the needs of tomorrow,” said Lal Karsanbhai, executive president of Emerson’s Automation Solutions business 	
Deal Points	<ul style="list-style-type: none"> The deal is expected to be immediately accretive to Emerson’s earnings, excluding amortization and other accounting charges Once the transaction closes, Emerson will have a leverage ratio of 1.6x debt/ EBITDA 	
Of Note	<ul style="list-style-type: none"> Emerson believes in acquiring businesses to improve its product lines and market exposure. In February 2019, Emerson acquired the Intelligent Platforms business of General Electric which was integrated with the Automation Solutions segment. Also, in March 2020, Emerson added Verdant to its portfolio, while American Governor Company was acquired in April 2020 	