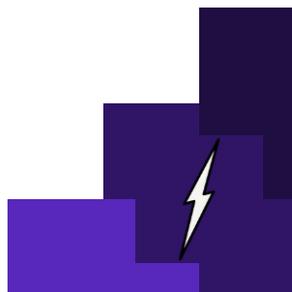


KKR

**KKR's £4.8bn Buyout of  
Spectris**

spectris

*Private  
Equity  
Society*



# Deal Overview

spectris



KKR



Advent

Lead Advisors

Sell-Side

Goldman Sachs

Rothschild & Co

CRAVATH, SWAINE & MOORE LLP

Buy-Side

J.P. Morgan

Simpson Thacher

Transaction Value

£4.8B

Premium Paid

104.9%

Both bidders offered >100% premium

Why did KKR win?

1. Price: £41.8 vs. £41.0 (£0.8 per share advantage).
2. Certainty: Stronger financing commitment.
3. Track record: 70+ successful industrial investments.



Where is this deal heading?

1. Enhance Spectris's value proposition for customers.
2. Pursue strategic acquisitions (bolt-ons).
3. Potentially introduce broad-based employee ownership.

~Joshua Weisenbeck (Partner at KKR)

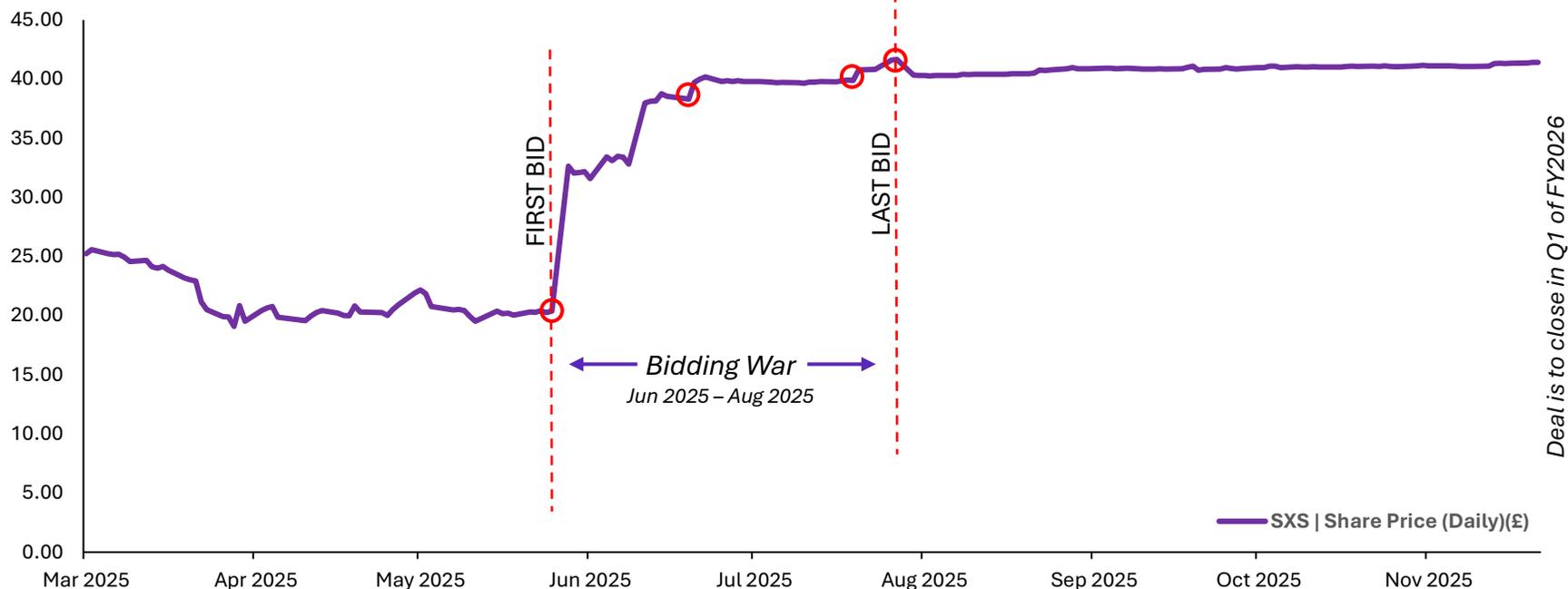
## Spectris Share Price

Advent makes an offer of **£37.6** per share.

Board switches to an offer of **£40.0** per share from KKR.

Advent strikes back with **£41.0** per share.

KKR comes back with a final **£41.8** per share, closing the deal.



# The Rise of UK Take-Privates

## The Surge in UK M&A

UK public M&A erupted in 2024 as international buyers recognised systematic mispricing; quality global businesses trading at emerging market valuations simply because they were listed in London.

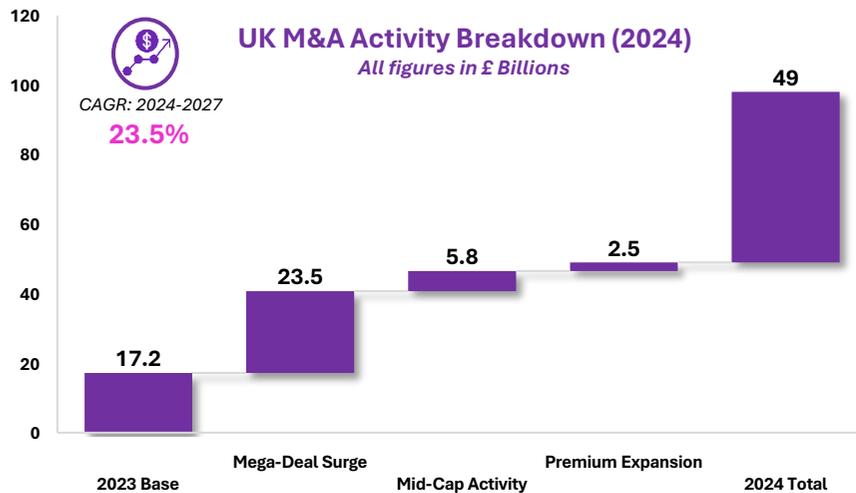
**Total Bids**  
£17.2 Billion

**Avg. Deal Size**  
£390 Million

3x

**Total Bids**  
£49 Billion

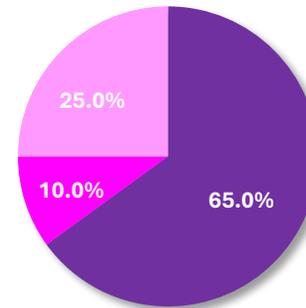
**Avg. Deal Size**  
£1.07 Billion



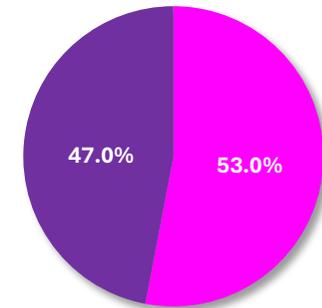
## International Buyers Hunting UK Value

The UK M&A surge stems from international capital systematically exploiting the valuation gap, wherein U.S. corporates recognised what UK missed: quality businesses trading at half their fair value.

### Bids by Geography (2024)



### Buyer Type (2024)



United States United Kingdom Rest of World Private Equity Strategic Corporate

### Landmark Deals

**CVC**

£6.9 Billion

**HL**  
HARGREAVES  
LANSDOWN

**THOMA BRAVO**

£5.3 Billion

**DARKTRACE**

**KKR**

£4.8 Billion

**spectris**

## The Converging Catalysts



### Valuation Chasm

UK mid-cap industrials trade at 11-13x P/E whilst global peers with similar performance are at 20-25x. This is geography-based mispricing. **The arbitrage:** Buy at a UK valuation, remove the listing discount and exit before even having to make any operational improvements.



### Pension Funds

UK pension allocation to domestic equities collapsed due to regulatory-driven outflow, creating a selling pressure that didn't recognise quality. **The opportunity:** When the largest long-term capital source abandons a market, pricing disconnects from fundamentals.



### Financing Markets

At 5.25% base rates plus 400-500bp spreads, debt costs made LBOs uneconomical but as rates fell and private credit matured, financing costs dropped. **The enabler:** Declining financing costs allowed high-growth, low leverage deals to become accretive, transforming companies into viable targets.



### Dry Powder

PE funds raised record capital that must be deployed or returned. With expensive U.S. assets, European growth uncertainty, and emerging markets risks, UK presents a developed market quality at emerging market prices. **The pressure:** This is capital that needs to be deployed, hence driving competitive bidding.

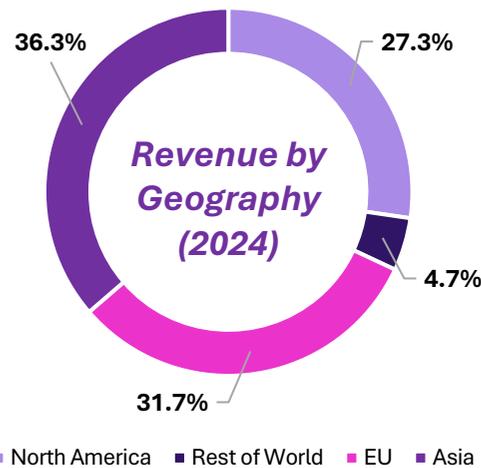
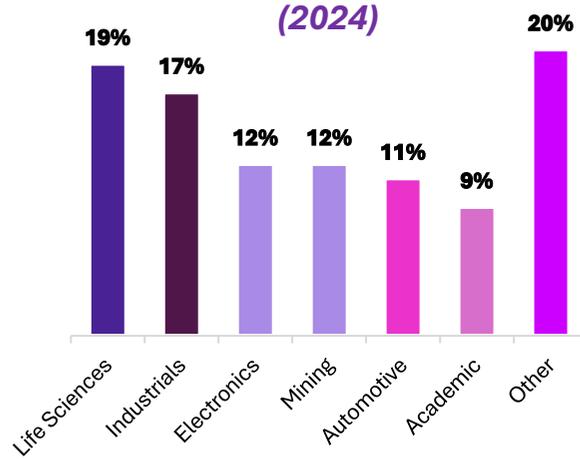
Impact



# Industry Overview

## Precision Measurements Market Landscape

Revenue by End-Market (2024)

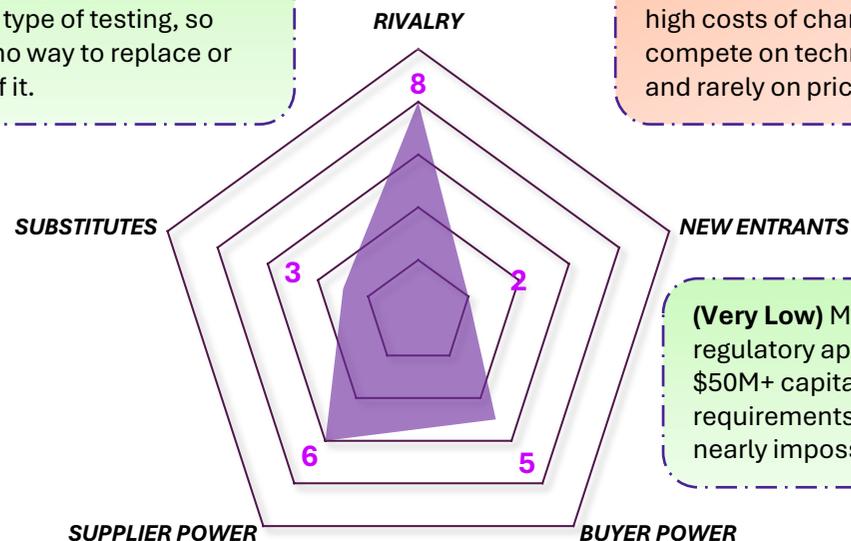


### Industry Competitors



**(Very Low)** Regulations (e.g. FDA) legally require this specific type of testing, so there's no way to replace or get rid of it.

**(High)** Many competitors, but customers rarely switch due to high costs of change, instead compete on technology quality and rarely on price.



**(Moderate)** Specialised components (e.g. optics) have limited suppliers, but large buyers negotiate volume discounts.

**(Moderate)** Big customers negotiate on price, but switching suppliers requires months of costly re-validation.

## Market Growth Drivers



### Academia

- Demand for advanced analytical testing systems remains robust.
- These systems are widely used in next-generation research at universities.



### Precision Medicine

- Pharmaceutical R&D spend continues to increase, aided by the proliferation of anti-obesity drugs & biologics.
- Demand in end market supported by wider trends like ageing populations.



### AI/ML Integration

- Growth driven by reshoring of fabrication capacity, particularly in US, and investment in digital infrastructure.
- Adoption of AI increases demand for data-driven measurement tools.



### Electrification

- Energy transition is driving increased demand for battery and catalyst materials.
- This supports increased investment in material characterisation and process monitoring

# Spectris Overview

## Business Overview

Spectris PLC provides precision measurement solutions focusing on advanced material characterisation and physical sensing and simulation equipment. Through divestments and acquisitions, Spectris has restructured their core offering into two segments: Spectris Scientific & Spectris Dynamics.

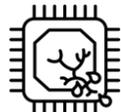
## Spectris Scientific



Mining company analysing ore composition to optimise extraction.



Chemical plant monitoring emissions for environmental compliance.



Wafer Fabs detecting contamination in chip production.

## Spectris Dynamics



Automotive firm crash-testing vehicles to measure impact.



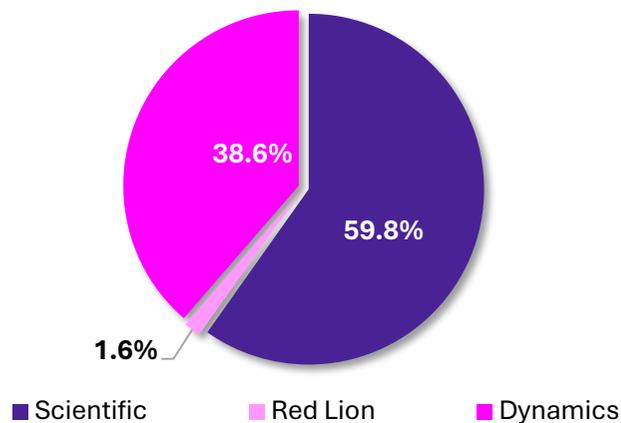
Aerospace firm testing jet engine vibrations in extreme conditions.



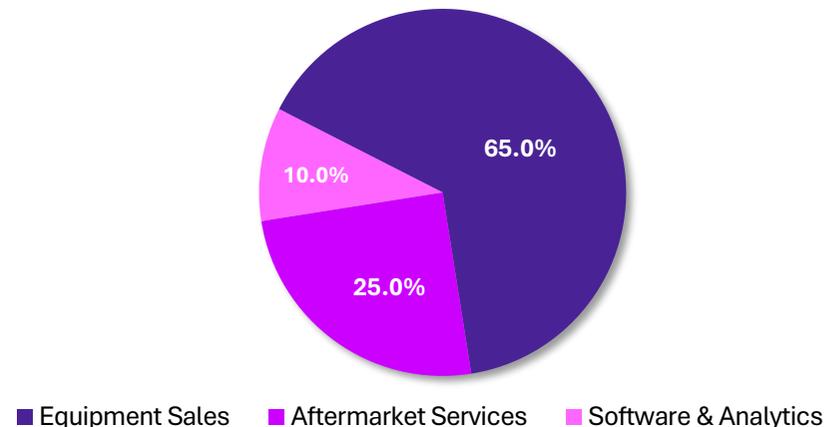
Defence contractor testing equipment durability in harsh environments.

## Core Products & Revenue Streams

Revenue by Product (2024)



Revenue by Service (2024)



- **Spectris Scientific** maintained order growth of **3%** in 2025, bolstered by demand in pharmaceutical & material end markets.
- **Spectris Dynamics** has struggled, with **tariff uncertainty**, dampening demand in core end markets such as automotives.
- **Red Lion**, a provider of industrial control equipment was **divested for \$345mm in April 2024** to rationalise Spectris's product portfolio.

- **Equipment Sales:** Initial instrument purchases, system upgrades, and replacement units, with **long sales cycles**.
- **Aftermarket Services:** Recurring revenue from annual contracts, preventative maintenance, repairs and consumables.
- **Software & Analytics:** Subscription-based data analysis platforms including hardware & software, **highest margins & growth**.

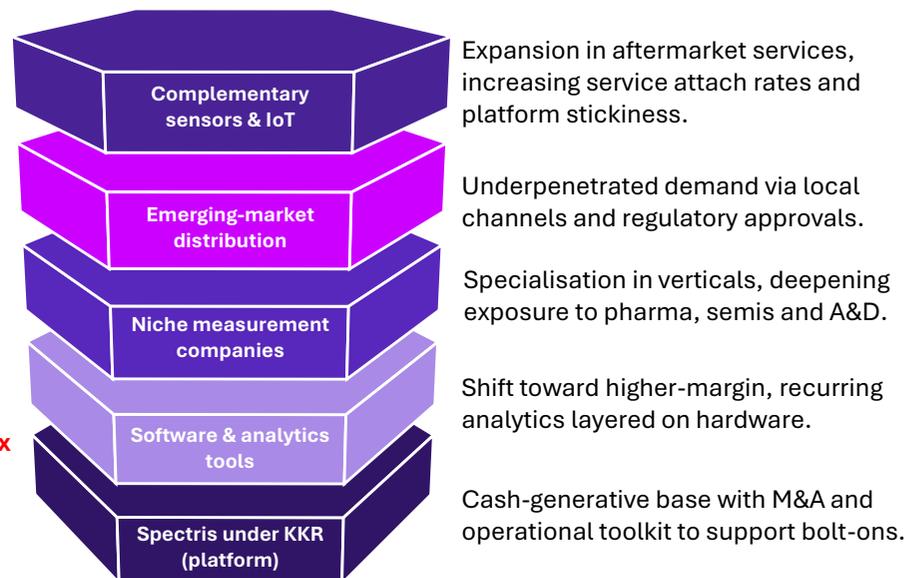
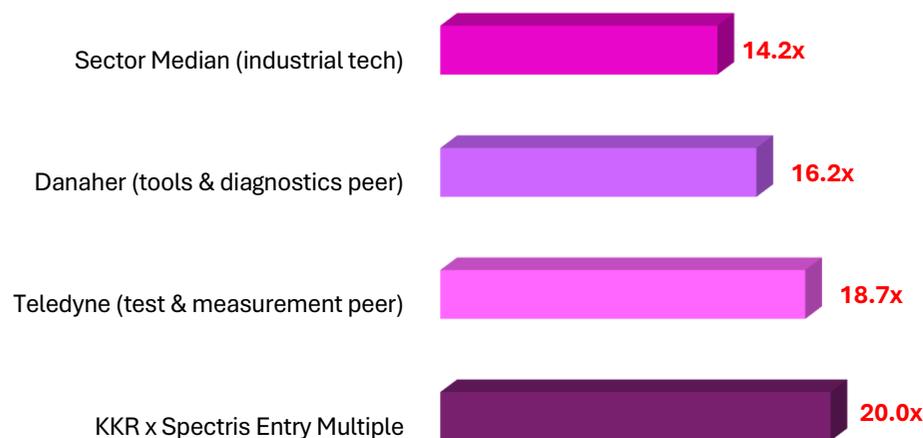
# Deal Rationale

## Quality vs Valuation Disconnect

Despite an **18.6% margin** coupled with leading positions in pharma, semis and A&D. Spectris traded on a UK **mid-cap capital-goods profile**; KKR's 20.0x EV/EBITDA offer still **reflects a discount** to other platforms.

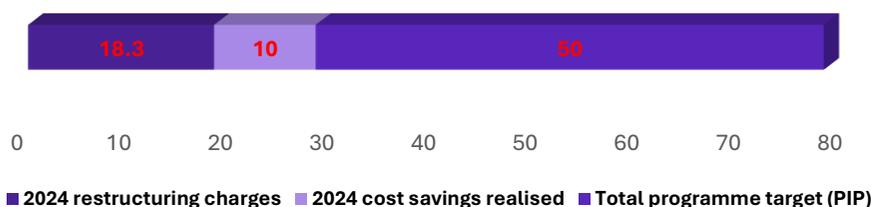
## Consolidation Platform

The precision-measurement market is **highly fragmented**, with vertical niches and no dominant global player. Spectris already has a **working M&A engine** and integration with >£5m synergies in 2024 estimated to hit £30m by 2027.



## Restructuring and M&A Driving Growth and Margin Expansion

### Restructuring Costs vs Savings and Programme Target



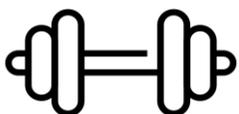
**SciAps** **micromeritics**<sup>®</sup>  
Effective Solutions for Material Characterisation

**PIEZOCRYST**  
ADVANCED SENSORICS GMBH

2024 results already show tangible benefits: SBS and **restructuring delivered >£10mm savings**, while ERP and site-by-site optimisation support a credible 290bps **margin bridge** (15.6% → 20%+ by 2027), **reducing reliance on financial engineering or leverage for returns.**

2024 **bolt-ons** skew toward **higher-margin niches** (portable XRF, powder characterisation, specialised test & measurement) and are being **integrated into a common platform**, indicating that M&A is **already accretive** to margins rather than a pure scale play.

# SWOT Analysis



## STRENGTHS

### Scaled precision platform

Two focused divisions and >£1.3b revenue give KKR a, specialist base to build upon.

### Sticky direct model

>90% direct sales drives high margins and low churn vs distributor led-peers.

### Secular growth exposure

Pharma, semis and A&D offer structurally higher growth than general industrials.

## WEAKNESS



### High entry multiple

~19-20x EBITDA vs mid-teens peers means there's a little room for missed targets.

### Cyclical end-markets

Aerospace, auto and semis can turn quickly, making earnings volatile.

### Complex execution load

Cost programme, ERP and integrations must all land under leverage.

## SWOT



## OPPORTUNITIES

### Margin uplift to >20%

Identified cost/efficiency levers can add several hundred bps of EBIT margin.

### Bolt-on roll-up

Proven M&A platform in a fragmented niche can accelerate scale and synergies.

### More software and data

Shifting mix to software/analytics can boost recurring revenue and exit multiple.

## THREATS



### Downturn in key sectors

10-15% revenue drop in semis/A&D/pharma would pressure margins and covenants.

### Under-delivery on plan

Slippage on £50mm+ savings or ERP benefits would cut EBITDA vs the deal case.

### Competitive/regulatory pressure

Strong industrial peers, low-cost rivals and FDI scrutiny may cap growth and pricing.

# LBO – Transaction Details

## Key Transaction Details

### Equity Offer Value

Implied Equity Offer Value	4,146
Net Debt	456.6
Implied EV Offer	4,603
Shares Outstanding (mn)	99.3
Share Price Offer	£41.75
Implied Entry EV/EBITDA	20.0x

### Financing Breakdown

**63.5%**  
Equity  
Invested

**36.5%**  
Total Debt

**20.0x**  
TEV /  
EBITDA

### Sources

	Amount	Multiple
Cash	0	-
Revolving Credit Facility	200	0.9x
Term Loan EUR	858	3.7x
Term Loan USD	684	3.0x
Equity Contribution	3,036	13.2x
<b>Total Sources</b>	<b>4,778</b>	<b>20.8x</b>

### Uses

Equity offer Value	4,146
Debt Refinancing	490
Fees	142
<b>Total Uses</b>	<b>4,778</b>

USD/GBP 0.76 EUR/GBP 0.88

## Debt Financing Assumptions

Type of Financing	Amount	Percent	Limit	Issuance Fee % (including OID)	Issuance Fee	Standby Fee	SOFR/EURIBOR Spread	Cash Flow Sweep P/A
Cash	0	0%	N/A	N/A	N/A	N/A	N/A	N/A
Revolving Credit Line	200	4%	325	1.75%	3.5	0.9%	B+300bps	N/A
Term Loan EUR (Facility B1)	858	18%	N/A	2.75%	23.6	N/A	EURIBOR+325bps	50.0%
Term Loan USD (Facility B2)	684	14%	N/A	3.25%	22.2	N/A	SOFR+275bps	50.0%
Equity Contribution	3,036	64%	N/A	N/A	N/A	N/A	N/A	N/A
	<b>4,778</b>	<b>100%</b>						

### Description

- The Revolver provides a flexible short-term liquidity option for Spectris. The facility has a £325mm limit and a 0.9% standby fee. We assume £200mm is drawn immediately to improve IRR.
- The two term loan facilities are characteristic of TLBs, in that they have minimal mandatory principal repayments and a bullet maturity.

### Interest Rates on Debt

- The interest rate on each tranche of secured debt is expressed as a spread over the relevant base rate.
- For the USD denominated term loan, the base rate is SOFR, while for the EUR denominated term loan, it is EURIBOR.

### Repayment/Cash Sweep

- Any excess cash is used for term loan principal repayment, split equally between (after facilities B1 and B2's mandatory repayments).
- We assume no discretionary repayments in 2026, as it is the first year of the model.

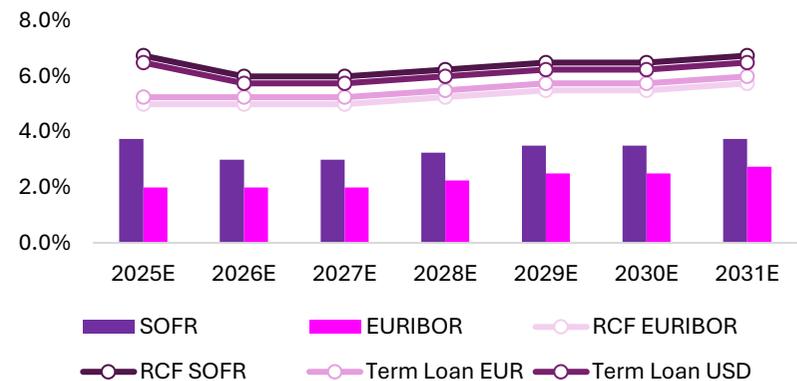
# LBO – Assumptions and Outputs

## Key LBO Assumptions

### SG&A Margin Improvement



### Financing terms



ERP to deliver 150 basis points of margin expansion by 2026. Margins stabilise to ~28% by the end of the period.

Revenue growth driven by the Life-Sciences and Academia end markets, which are forecast to grow by 6.7% and 8.5% respectively in 2026.

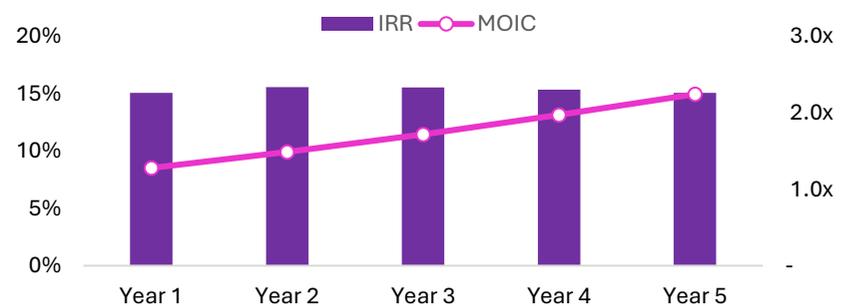
Interest rates expected to be relatively stable, with Spectris' European debt facilities set to be cheaper than US equivalents throughout the period.

## Key LBO Outputs

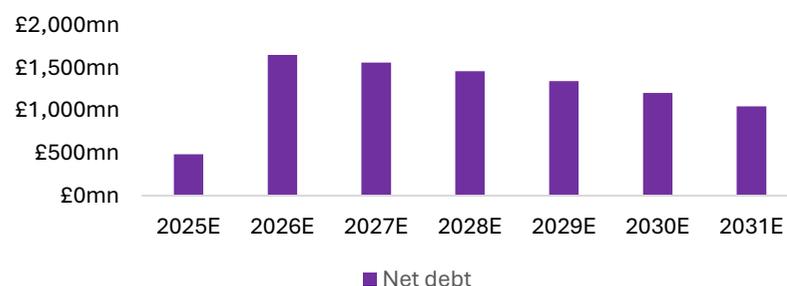
### Sensitivity Analysis

Exit Multiple	IRR	MOIC
24.0x	19%	2.8x
22.0x	17%	2.5x
20.0x	15%	2.2x
18.0x	13%	2.0x
16.0x	10%	1.7x

### Equity Returns by Investment Horizon



### Sustained Debt Paydown

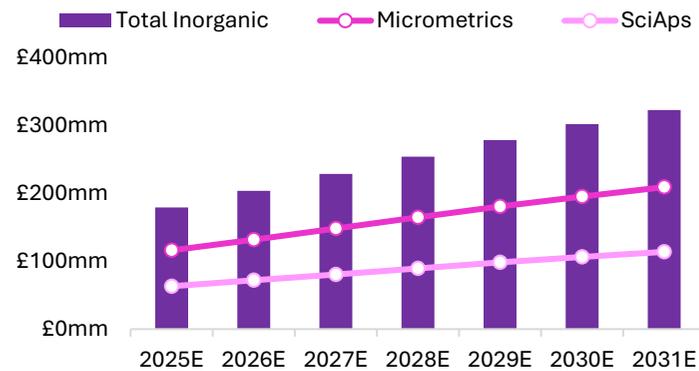


### EBITDA Growth

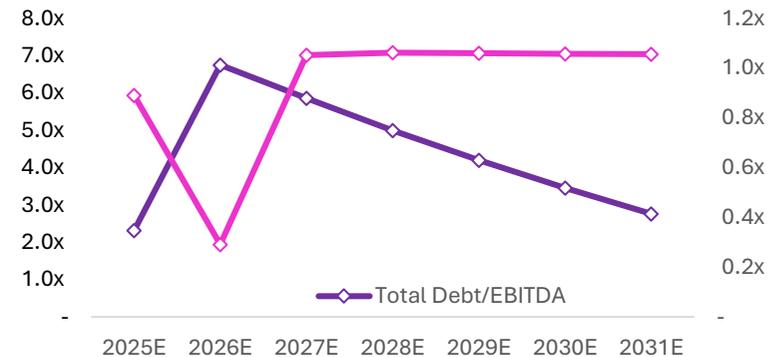


# LBO – Model

## Inorganic Revenue Growth



## Credit Metrics



## Income Statement

All figures in £GBP mm unless stated

	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Stub 2026E	2026E
Revenue	1,163	1,327	1,449	1,299	1,490	1,553	1,641	1,746	1,856	1,970	2,090	388	1,165
COGS	(488)	(577)	(611)	(583)	(663)	(684)	(716)	(755)	(795)	(836)	(878)	(171)	(513)
<b>Gross Profit</b>	<b>676</b>	<b>751</b>	<b>838</b>	<b>716</b>	<b>828</b>	<b>869</b>	<b>925</b>	<b>991</b>	<b>1,061</b>	<b>1,135</b>	<b>1,212</b>	<b>217</b>	<b>652</b>
SGA	(393)	(403)	(465)	(445)	(475)	(488)	(517)	(551)	(586)	(623)	(662)	(122)	(366)
Other Expenses	(93)	(114)	(127)	(112)	(129)	(131)	(136)	(141)	(146)	(152)	(157)	(33)	(99)
<b>EBITDA</b>	<b>190</b>	<b>234</b>	<b>246</b>	<b>159</b>	<b>224</b>	<b>249</b>	<b>272</b>	<b>299</b>	<b>329</b>	<b>360</b>	<b>393</b>	<b>62</b>	<b>187</b>
<i>EBITDA Margin %</i>													
D&A	(50)	(61)	(58)	(61)	(68)	(70)	(72)	(75)	(78)	(80)	(83)	(17)	(52)
<b>Operating Profit</b>	<b>140</b>	<b>173</b>	<b>189</b>	<b>98</b>	<b>155</b>	<b>179</b>	<b>200</b>	<b>225</b>	<b>251</b>	<b>279</b>	<b>310</b>	<b>45</b>	<b>135</b>
Interest Expense	(5)	(19)	(4)	(18)	(28)	(73)	(92)	(91)	(89)	(81)	(75)	(1)	(71)
Interest Income	-	-	-	-	4	1	1	1	1	1	2	0	1
Other Income/Expense	251	285	1	223	-	(4)	(6)	(6)	(6)	(6)	(6)	-	(4)
<b>EBT</b>	<b>385</b>	<b>438</b>	<b>186</b>	<b>303</b>	<b>131</b>	<b>103</b>	<b>104</b>	<b>129</b>	<b>158</b>	<b>194</b>	<b>231</b>	<b>44</b>	<b>60</b>
Taxes Payable	(38)	(37)	(40)	(70)	(31)	(24)	(24)	(30)	(37)	(46)	(54)	(6)	(18)
<b>Net Income</b>	<b>347</b>	<b>402</b>	<b>145</b>	<b>234</b>	<b>100</b>	<b>79</b>	<b>79</b>	<b>99</b>	<b>121</b>	<b>148</b>	<b>176</b>	<b>38</b>	<b>41</b>

Revenue growth is driven by uptick in end markets & integration of prior acquisitions.

Continuation of restructuring and cost-cutting drives EBITDA growth with ERP alone adding 150bps to the margin.

Execution of cost synergies in FY2025 & F2026 expected to deliver cumulative savings of £15mm.

Net income damaged by sharp increase in debt levels. Even with low leverage (36.5%), interest payments increase significantly.

# LBO – Model

## Cash Flow Statement

All figures in £GBP mm unless stated

	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	STUB 2026E	2026E
<b>Cash From Operations</b>													
Net Income				245	100	79	79	99	121	148	176	38	41
D&A				61	68	74	78	81	84	86	89	17	57
Cash From NWC				(40)	11	(14)	(11)	(14)	(14)	(15)	(15)	(14)	-
Other Adjustments				(203)	10	1	1	2	2	2	2	1	-
<b>Total Cash From Operations</b>				<b>63</b>	<b>190</b>	<b>140</b>	<b>148</b>	<b>168</b>	<b>192</b>	<b>222</b>	<b>252</b>	<b>42</b>	<b>98</b>
<b>Cash From Investing</b>													
CAPEX				(52)	(47)	(52)	(59)	(67)	(75)	(84)	(94)	(13)	(39)
Acquisitions and Disposals				(503)	-	-	-	-	-	-	-	-	-
Net Non-Operating Income				7	-	-	-	-	-	-	-	-	-
<b>Total Cash From Investing</b>				<b>(548)</b>	<b>(47)</b>	<b>(52)</b>	<b>(59)</b>	<b>(67)</b>	<b>(75)</b>	<b>(84)</b>	<b>(94)</b>	<b>(13)</b>	<b>(39)</b>
<b>Cash From Financing</b>													
Existing Acquisition-Related Equity (Purchase)				-	-	(4,146)	-	-	-	-	-	-	(4,146)
Existing Debt Issuance/(Repayment)				607	(136)	(519)	-	-	-	-	-	(29)	(490)
Other Financing Cash Flows				40	-	-	-	-	-	-	-	-	-
Dividends & Share Buybacks				(177)	(81)	-	-	-	-	-	-	-	-
KKR Equity Injection				-	-	3,036	-	-	-	-	-	-	3,036
Cash Used for Acquisition				-	-	-	-	-	-	-	-	-	-
Revolving Credit Line Issuance/(Repayment)				-	-	141	(81)	(60)	-	-	-	-	141
Termloan B1 Issuance/(Repayment)				-	-	858	-	(16)	(54)	(65)	(76)	-	858
Termloan B2 Issuance/(Repayment)				-	-	684	(7)	(23)	(61)	(71)	(81)	-	684
Debt Issuance Fees				-	-	(59)	-	-	-	-	-	-	(59)
Advisory Fees				-	-	(83)	-	-	-	-	-	-	(83)
<b>Total Cash From Financing</b>				<b>470</b>	<b>(217)</b>	<b>(87)</b>	<b>(88)</b>	<b>(100)</b>	<b>(116)</b>	<b>(137)</b>	<b>(157)</b>	<b>(29)</b>	<b>(59)</b>
FX Effects				(4)	-	-	-	-	-	-	-	-	-
Other Adjustments				(14)	-	-	-	-	-	-	-	-	-
<b>Cash Balance</b>													
Beginning Cash Balance				139	106	32	33	34	35	37	38	32	33

## Equity Returns Schedule

All figures in \$GBP millions unless stated otherwise

	Close	2026E	2027E	2028E	2029E	2030E	2031E
<b>Enterprise Value</b>							
EBITDA		249	272	299	329	360	393
Exit Multiple		20.0x	20.0x	20.0x	20.0x	20.0x	20.0x
<b>Enterprise Value</b>		<b>4,983</b>	<b>5,446</b>	<b>5,986</b>	<b>6,569</b>	<b>7,195</b>	<b>7,866</b>
<b>Net Debt</b>							
Debt Balance		1,683	1,595	1,496	1,380	1,244	1,086
Cash		33	34	35	37	38	39
<b>Total Net Debt</b>		<b>1,650</b>	<b>1,561</b>	<b>1,461</b>	<b>1,344</b>	<b>1,206</b>	<b>1,047</b>
<b>Equity Value</b>							
Enterprise Value		4,983	5,446	5,986	6,569	7,195	7,866
Net Debt		(1,650)	(1,561)	(1,461)	(1,344)	(1,206)	(1,047)
<b>Equity Value</b>		<b>3,333</b>	<b>3,885</b>	<b>4,526</b>	<b>5,225</b>	<b>5,989</b>	<b>6,818</b>
<b>Equity Investor</b>	<b>IRR</b>	<b>MOIC</b>					
5-Year-Horizon	15.1%	2.2x					6,818
4-Year-Horizon	15.4%	2.0x				5,989	-
3-Year-Horizon	15.5%	1.7x			5,225	-	-
2-Year-Horizon	15.6%	1.5x		4,526	-	-	-
1-Year-Horizon	15.1%	1.3x		3,885	-	-	-
0-Year-Horizon	13.2%	1.1x		3,333	-	-	-

Sources: S&P Global, Spectris Financials, Bloomberg, KKR

# LBO – Model

## Debt Schedule Summary

All figures in £GBP mm unless stated

### Long Term Debt

	Acquisition						
	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Beginning Balance	641	519	1,542	1,535	1,496	1,380	1,244
Existing LT Debt Issuance/(Repayment)	(123)	(519)	-	-	-	-	-
Term Loan EUR Issuance/(Repayment)	-	858	-	(16)	(54)	(65)	(76)
Term Loan USD Issuance/(Repayment)	-	684	(7)	(23)	(61)	(71)	(81)
<b>Ending Balance</b>	<b>519</b>	<b>1,542</b>	<b>1,535</b>	<b>1,496</b>	<b>1,380</b>	<b>1,244</b>	<b>1,086</b>
Contra Liability Relating to Fees	-	55	49	43	37	31	25
<b>Net LT Debt</b>	<b>519</b>	<b>1,487</b>	<b>1,486</b>	<b>1,453</b>	<b>1,343</b>	<b>1,213</b>	<b>1,061</b>

### Short Term Debt

Beginning Balance							
Existing ST Debt Issuance/(Repayment)	13	200	141	60	-	-	-
Revolver Issuance/(Repayment)	(13)	-	-	-	-	-	-
<b>Ending Balance</b>	<b>-</b>	<b>(59)</b>	<b>(81)</b>	<b>(60)</b>	<b>-</b>	<b>-</b>	<b>-</b>

Interest Expense (Including Pre-Acquisition)

## Term Loan Schedule

All figures in £GBP mm unless stated

	2025E	2026E	2027E	2028E	2029E	2030E	2031E
50% of cash used to pay B1. 100% cash flow sweep post B1 used for B2.		75%	100%	100%	100%	100%	100%
Cash Available After Revolving Credit Line Pay Down		-	-	33	109	131	152
Total Cash Available For Discretionary Term Loan		-	-	33	109	131	152
Repayments		-	-	33	109	131	152
Discretionary Cash for B1		-	-	16	54	65	76
Discretionary Cash for B2		-	-	16	54	65	76

### Term Loan B1 (EUR)

<i>Loan Amortisation</i>							
Beginning Balance			858	858	842	787	722
Issuance		858	-	-	-	-	-
Mandatory Repayments		-	-	-	-	-	-
Discretionary Repayments	Cash Sweep 50%	-	-	(16)	(54)	(65)	(76)
<b>Ending Balance</b>		<b>858</b>	<b>858</b>	<b>842</b>	<b>787</b>	<b>722</b>	<b>646</b>
Interest Rate		5.25%	5.25%	5.50%	5.75%	5.75%	6.00%
Interest Expense	On	(34)	(45)	(47)	(47)	(43)	(41)

### Term Loan B2 (USD)

	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<i>Loan Amortisation</i>		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Beginning Balance		-	684	677	654	593	522
Issuance		684	-	-	-	-	-
Mandatory Repayments		-	(7)	(7)	(7)	(6)	(5)
Discretionary Repayments	Cash Sweep 100%	-	-	(16)	(54)	(65)	(76)
<b>Ending Balance</b>		<b>684</b>	<b>677</b>	<b>654</b>	<b>593</b>	<b>522</b>	<b>441</b>
Interest Rate		5.75%	5.75%	6.00%	6.25%	6.25%	6.50%
Interest Expense	Circularity On	(29)	(39)	(40)	(39)	(35)	(31)

Sources: S&P Global, Spectris Financials, Bloomberg, KKR