



RedZone Robotics acquired by Milestone Partners

Deal Highlights

- IMAP Partner Capstone Headwaters (CSHW) advised RedZone Robotics, Inc. (“RedZone”) on its sale to private equity firm Milestone Partners.
- RedZone is a technology-enabled solutions business that uses proprietary robots and software tools to provide inspection, data collection and asset management services primarily for wastewater pipeline systems. Founded in 1987, it is a technology leader in the industry and historically grows at an annual rate of over 20%.
- Milestone Partners is a private equity firm that focuses on investments for technology-enabled solutions in the Industrial, Financial Services and Manufacturing sectors.
- RedZone was looking for a new equity partner in order to continue to grow the business moving forward, with opportunities for growth in its sales and channel development. For Milestone Partners, this acquisition represents their expansion into the industrial technology and smart water sectors.



Market Outlook

- Across the world and even in countries with relatively new infrastructure, the wastewater pipeline remains a “dark” asset; where operators have no visibility of real-time conditions and all maintenance and upgrades are driven by catastrophic events such as pipe breaks.
- Companies such as RedZone, CUES and PURE, etc. are changing this, by providing highly automated and cost effective, intelligence driven decision support and program management tools.
- In the U.S., the niche market served by RedZone is expected to have a 10% to 15% annual growth rate due to adoption, with high-single digit (HSD) growth rates to be the norm for sector companies.
- Due to the anticipated growth and adoption, companies such as Halma (U.K.), Xylem (U.S.) and Suez (France) etc. have been rapidly acquiring technology providers globally, to bolster their offering suite.

Valuation Summary

- Valuations in the industry are driven by the size and proprietary nature of the offering. The more the business is based on proprietary technology / solutions, the higher the multiples.
- Multiples for proprietary, technology enabled companies have been in the 10.0x to 13.0x EBITDA range versus those in the more commodity-based services space, which are in the 7.0x to 9.0x range.



IMAP Approach

- CSHW worked with RedZone to enable a successful transition to an investor committed to helping the company realize its full potential.
- By leveraging its deep knowledge of robotics, sensing/instrumentation, data analytics and software sectors, along with its expertise in water technology, CSHW was able to appropriately position RedZone, delivering an optimum result for its shareholders.
- This transaction represents a very successful outcome for a fast-growing company that is uniquely positioned to address the acute challenges facing water (pipeline) infrastructure management and upgrades.
- RedZone is CSHW’s 6th successful advisory assignment in the Water sector and 3rd successful advisory assignment in Robotics.

Client Comment

Dan Yingst, CEO of RedZone:

“It was a positive experience working with the Capstone Headwaters team. They were a dedicated, hardworking team that fit in extremely well with the RedZone team. Sam Ewing’s quote sums up my thoughts of the entire team: ‘It’s not the hours you put into your work that count, it’s the work you put in the hours.’ We were grateful to have partnered with Capstone Headwaters.”

IMAP Transaction Advisor



Samrat Karnik
Managing Director
IMAP USA
skarnik@imap.com



John Ferrara
Partner
IMAP USA
john.ferrara@imap.com

IMAP has closed 103 transactions in the Technology sector globally since 2015

TECHNOLOGY	TECHNOLOGY	TECHNOLOGY	TECHNOLOGY	TECHNOLOGY
 Acquired Majority Control of Business Operations IMAP <small>ADVISED ON SALE OF COMPANY</small>	 Acquired 100% of Business Operations IMAP <small>ADVISED ON SALE OF COMPANY</small>	 Acquired Majority Control of Business Operations IMAP <small>ADVISED ON SALE OF COMPANY</small>	 Acquired 100% of Business Operations IMAP <small>ADVISED ON PURCHASE OF COMPANY</small>	 Acquired 100% of Business Operations IMAP <small>ADVISED ON SALE OF COMPANY</small>

IMAP is an International Mergers and Acquisitions Partnership with more than 350 M&A advisors and a presence in 39 countries. IMAP has closed over 2,100 transactions valued at \$90 billion in the last 10 years and is consistently ranked among the world’s top ten M&A advisors for mid-market transactions (Thomson Reuters). IMAP advises primarily mid-sized companies and their shareholders on sales and acquisitions on a global scale, providing clients with entrepreneurial, unbiased advice and successfully helping them achieve their objectives.