

MERGERMARKET

Industrials & Chemicals Trend Report

Q1-Q4 2016

Data analysis

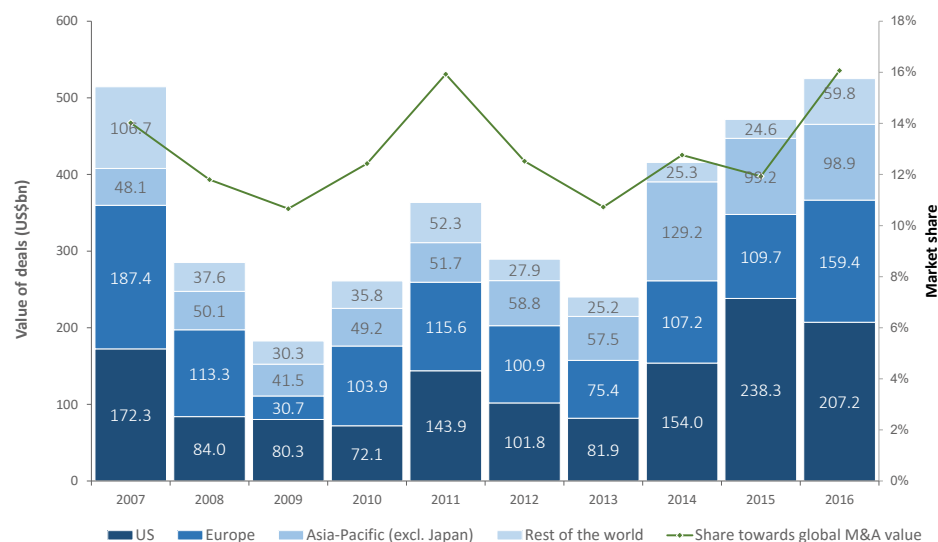
Despite a series of political shockwaves leading to market uncertainty, global Industrials & Chemicals' M&A activity still managed to hit its highest level on Mergermarket record (2001) A total of 3,356 deals worth US\$ 525.2bn makes it the most active sector based on deal count and up 11.3% in terms of deal value compared to 2015 (US\$ 471.8bn).

The US continued to dominate global Industrials & Chemicals activity last year, with 832 transactions valued at US\$ 207.2bn, accounting for nearly 40% of the sector's overall value. Bayer's headline-grabbing US\$ 65.3bn takeover of Monsanto contributed almost a third of the sector's deal value. The deal also helped Germany boost its outbound activity to US\$ 142bn. Germany's appetite for outbound deals will likely continue into 2017 as German corporates take on the Industry 4.0 challenge - a government-backed initiative to unite technology within the manufacturing industry - according to Mergermarket intelligence.

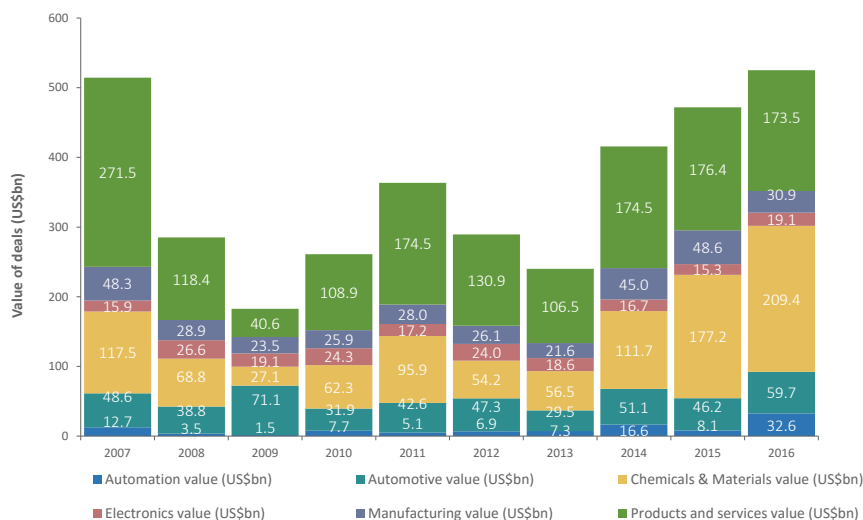
Industrials & Chemicals in Europe (US\$ 159.4bn, 1,404 deals) saw a 45.4% jump in terms of deal value compared to 2015 (US\$ 110bn, 1,361 deals). Chinese investors in particular showed a growing appetite for Europe Industrials & Chemicals, leading to a record value of US\$ 58.4bn with 55 deals. This however is expected to ease this year over protectionism concerns against Chinese buyers and domestic capital controls. As such, Chinese companies may avoid overseas acquisitions for now and focus on organic growth.

Activity among Industrials & Chemicals companies in Asia (excl. Japan) was subdued in comparison, reaching similar levels to that reached 12 months earlier. A total of 783 deals amounted to US\$ 98.9bn; 2015 saw 801 deals amounting to US\$ 99.2bn. More than two-thirds of the total deal value was attributed to Chinese domestic deals - responsible for 408 worth US\$ 67.1bn, albeit 7.2% lower in value than last year (US\$72.3bn, 406 deals). The US\$ 8.7bn merger of China's Wuhan Iron and Steel and Baoshan Iron & Steel, became the biggest Industrials & Chemicals Asian deal (excl. Japan) in 2016. Combining

Regional breakdown



Global sub-sector trend



the two companies was a response to the central government's policy to tackle overcapacity in the iron & steel sector.

Meantime, Industrials & Chemicals activity in Japan doubled in deal value to US\$ 20.7bn across 96 deals - up from US\$ 9.8bn and 87 deals a year prior. Driven by a series of global mega-mergers, as well as agricultural reforms instituted by the government, Japan's agrochemical industry will face tougher competition from global entities and generics in 2017, according to Mergermarket intelligence.

The Chemicals & Materials sub-sector swelled in both deal value and deal count, recording 468 deals valued at US\$ 209.4bn, increasing 18.2% in value versus 2015 (US\$ 177.2bn, 442 deals). The Indian chemical industry is expected to see an increased number of deals this year on the back of a relative slowdown in Chinese manufacturing, which is expected to lead to companies to turn to India as a hedge. Government initiatives and a growing appetite for multinationals to expand their presence in the country are similarly expected to influence activity throughout the year.

India's young population, alongside an increased earnings capacity that has subsequently led to higher consumption and an increased demand for chemicals, will additionally have a strong influence on activity among chemical companies this year. Last year was the sector's strongest since 2007 in terms of inbound value US\$ 1.2bn across 16 deals, with further potential yet to be realised.

Meanwhile, the Industrial automation sub-sector (US\$ 32.6bn, 149 deals) grew three-fold in terms of deal value from 2015 (US\$ 8.1bn, 177 deals), making it the highest deal value in this sector on Mergermarket record. The US\$ 14.8bn spin-off of Fortive Corporation by Danaher Corporation topped all the deals in the sector, with Fortive Corporation expected to have around US\$ 3bn in M&A capacity over the next two to three years, according to Mergermarket intelligence.

Top deals

Value (US\$m)	Deal details	Advisory details
65,299	<p>Announcement date: 14-Sep-2016</p> <p>Target: Monsanto (USA) Bidder: Bayer (Germany) Seller: -</p>	<p>FA to sell-side: Ducera Partners; Morgan Stanley LA to sell-side: Cravath, Swaine & Moore LLP (Advising Morgan Stanley); Debevoise & Plimpton LLP; Franceschini e Miranda Advogados; Morrison & Foerster LLP (Advising Ducera Partners); Paul Weiss Rifkind Wharton & Garrison LLP; Wachtell, Lipton, Rosen & Katz; WilmerHale</p> <p>FA to buy-side: Bank of America Merrill Lynch; Credit Suisse; Rothschild LA to buy-side: Allen & Overy; Clifford Chance (Advising Bank of America Merrill Lynch;Credit Suisse); Linklaters (Advising Bank of America Merrill Lynch;Credit Suisse;Rothschild); Luthra & Luthra Law Offices; Shearman & Sterling (Advising Bank of America Merrill Lynch;Credit Suisse); Stikeman Elliott; Sullivan & Cromwell</p>
45,860	<p>Announcement date: 03-Feb-2016</p> <p>Target: Syngenta (Switzerland) Bidder: ChemChina (China) Seller: -</p>	<p>FA to sell-side: ALANTRA; Dyalco ; Goldman Sachs; JPMorgan; UBS Investment Bank LA to sell-side: Baer & Karrer; Cleary Gottlieb Steen & Hamilton LLP (Advising Goldman Sachs); Cravath, Swaine & Moore LLP (Advising JPMorgan); Davis Polk & Wardwell LLP; Gleiss Lutz</p> <p>FA to buy-side: CCB International; China CITIC Bank Corporation; China International Capital Corporation; CITIC Securities; Credit Suisse; HSBC LA to buy-side: Bowmans; Clifford Chance (Advising CITIC Securities); Fangda Partners; Homburger; Linklaters (Advising HSBC); Simpson Thacher & Bartlett; White & Case (Advising Credit Suisse)</p>
18,353	<p>Announcement date: 12-Sep-2016</p> <p>Target: Agrium (Canada) Bidder: Potash Corporation of Saskatchewan (Canada) Seller: -</p>	<p>FA to sell-side: Barclays; CIBC World Markets Inc.; Morgan Stanley LA to sell-side: Blake, Cassels & Graydon LLP; Latham & Watkins LLP; Norton Rose Fulbright LLP; Osler, Hoskin & Harcourt LLP; Paul Weiss Rifkind Wharton & Garrison LLP; Shearman & Sterling LLP (Advising Barclays)</p> <p>FA to buy-side: Bank of America Merrill Lynch; RBC Capital Markets LA to buy-side: Jones Day; Skadden Arps Slate Meagher & Flom (Advising Bank of America Merrill Lynch;RBC Capital Markets); Stikeman Elliott</p>
16,166	<p>Announcement date: 25-Jan-2016</p> <p>Target: Tyco International (Ireland (Republic)) Bidder: Johnson Controls (USA) Seller: -</p>	<p>FA to sell-side: Citi; Goldman Sachs; Lazard LA to sell-side: Allen & Overy LLP; Arthur Cox; Shearman & Sterling LLP (Advising Citi); Simpson Thacher & Bartlett LLP; Skadden Arps Slate Meagher & Flom LLP (Advising Lazard)</p> <p>FA to buy-side: Barclays; Centerview Partners LA to buy-side: A&L Goodbody; Cleary Gottlieb Steen & Hamilton; Sullivan & Cromwell (Advising Barclays;Centerview Partners); Wachtell, Lipton, Rosen & Katz</p>
14,807	<p>Announcement date: 01-June-2016</p> <p>Target: Fortive Corporation (USA) Bidder: Danaher Corporation (Shareholders)(USA) Seller: Danaher Corporation (USA)</p>	<p>FA to sell-side: Deutsche Bank; Goldman Sachs LA to sell-side: DLA Piper</p> <p>FA to buy-side: - LA to buy-side: -</p>

Heat chart based on potential companies for sale

	TMT	Industrials and Chemicals	Consumer	Pharma, Medical & Biotech	Energy, Mining & Utilities	Financial Services	Other
North America	267	100	117	149	105	65	220
Europe	242	201	212	84	102	96	285
North Asia	91	148	60	25	42	54	162
Australasia	38	13	45	19	31	27	72
South Asia	25	33	19	22	19	19	53
South East Asia	37	32	34	17	31	19	89
C & S America	37	32	38	10	29	16	40
Japan	14	18	21	19	7	6	26
Middle East	18	8	6	8	5	5	11
Africa	8	10	10	2	21	9	31

Drivers

Fueled by the government-backed Industry 4.0 initiative, in an effort to advance technology in the industrial space, German corporates are expected to have an even greater influence over the Industrials & Chemicals sector this year.

Activity across Asia-Pacific (including Japan) saw a significant uptick in the automotive sector driven by an increasing willingness from Asian industry players to carve out non-core businesses, such as the case in Nissan Motor's US\$ 4.5bn disposal of auto parts maker, Calsonic Kansei, to KKR. This is again likely to play a role this year as international industry players' show an increasing hunger to acquire technology and know-how.

The rise of Chinese M&A has also contributed to the growth despite a relative slowdown in the manufacturing sector. A race to develop technology has created fierce competition among companies bidding for European and US targets to move up the supply chain and to gain industry know-how.

As the sector's most dominant player, the US could experience a more uncertain 2017 as the effect of president-elect, Donald Trump, still remains a large unknown. But there are positive sounds being made with suggestions he would call for comprehensive tax reform and substantial changes to trade agreements, existing regulation and immigration policy, in addition to the claim that he would like to see significant investments in infrastructure.

Criteria of heat chart:

Mergermarket's sector heat chart is based on companies tagged as potential targets in the last six months.

Financial advisor league table by value

Ranking		Company Name	Q1-Q4 2016		Q1-Q4 2015	
Q1-Q4 2016	Q1-Q4 2015		Value (US\$m)	Deal count	Value (US\$m)	% Value change
1	2	Morgan Stanley	200,822	40	116,586	72.3%
2	1	Goldman Sachs	158,705	42	167,741	-5.4%
3	4	Bank of America Merrill Lynch	135,147	25	96,072	40.7%
4	8	Credit Suisse	123,054	22	66,562	84.9%
5	9	JPMorgan	109,383	31	50,232	117.8%
6	10	Rothschild	87,228	65	39,425	121.3%
7	12	Barclays	68,629	28	38,728	77.2%
8	7	Citi	67,290	29	67,972	-1.0%
9	134	China International Capital	64,048	9	346	18,411.0%
10	-	Ducera Partners	63,403	1	-	-

Financial advisor league table by deal count

Ranking		Company Name	Q1-Q4 2016		Q1-Q4 2015	
Q1-Q4 2016	Q1-Q4 2015		Value (US\$m)	Deal count	Deal count	Count change
1	1	PwC	3,450	89	101	-12
2	2	KPMG	3,807	77	82	-5
3	6	Rothschild	87,228	65	52	13
4	4	Deloitte	10,376	61	70	-9
5	3	EY	2,771	56	76	-20
6	5	Lincoln International	1,656	46	54	-8
7	11	Goldman Sachs	158,705	42	36	6
8	7	Lazard	44,043	42	46	-4
9	8	Morgan Stanley	200,822	40	43	-3
10	9	Houlihan Lokey	6,861	40	38	2

Legal advisor league table by value

Ranking		Company Name	Q1-Q4 2016		Q1-Q4 2015	
Q1-Q4 2016	Q1-Q4 2015		Value (US\$m)	Deal count	Value (US\$m)	% Value change
1	1	Cravath, Swaine & Moore	124,598	6	134,506	-7.4%
2	30	Clifford Chance	121,398	41	13,368	808.1%
3	11	Sullivan & Cromwell	120,598	17	46,015	162.1%
4	20	Shearman & Sterling	116,965	26	26,940	334.2%
5	55	Stikeman Elliott	113,929	23	4,690	2,329.2%
6	19	Wachtell, Lipton, Rosen & Katz	112,552	10	31,551	256.7%
7	5	Simpson Thacher & Bartlett	103,492	22	95,335	8.6%
8	29	Paul Weiss Rifkind Wharton & Garrison	98,684	24	14,569	577.4%
9	36	Allen & Overy	88,123	36	9,979	783.1%
10	24	Linklaters	79,897	37	20,582	288.2%

Legal advisor league table by deal count

Ranking		Company Name	Q1-Q4 2016		Q1-Q4 2015	
Q1-Q4 2016	Q1-Q4 2015		Value (US\$m)	Deal count	Deal count	Count change
1	1	Jones Day	47,162	89	79	10
2	2	DLA Piper	24,960	74	79	-5
3	8	CMS	5,126	62	45	17
4	7	White & Case	59,996	60	47	13
5	5	Latham & Watkins	47,193	60	57	3
6	4	Baker & McKenzie	17,065	60	67	-7
7	3	Kirkland & Ellis	15,563	54	74	-20
8	14	Freshfields Bruckhaus Deringer	37,179	44	33	11
9	9	Clifford Chance	121,398	41	43	-2
10	11	King & Wood Mallesons	60,576	41	35	6

Mergermarket criteria

All data is based on transactions over US\$ 5m and is based on the Mergermarket's M&A deals database. Deals with undisclosed deal values are included where the target's turnover exceeds US\$ 10m. Deals where the stake acquired is less than 30% will only be included if the value is greater than US\$ 100m. Click [here](#) for the full deal criteria

M&A trend: Based on the dominant sector of the target company being Industrials & Chemicals. The dominant geography of the target company is based on global activity or the region stated. Excludes lapsed and withdrawn bids

Cross-border M&A: Based on a transaction involving at least two different countries between either target, bidder, or seller.

Top deals: Based on the dominant sector of the target company being Industrials & Chemicals. The dominant geography of the target company is based on global activity. FA refers to financial advisor. LA refers to legal advisor. Excludes lapsed and withdrawn bids.

League tables: Based on the dominant sector of the target company being Industrials & Chemicals and the dominant geography of the target, bidder or seller being global. The financial advisor tables *exclude* lapsed and withdrawn bids. The legal advisor tables *include* lapsed and withdrawn bids.

All values are in US\$.

Data correct as of 03-Jan-2017

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