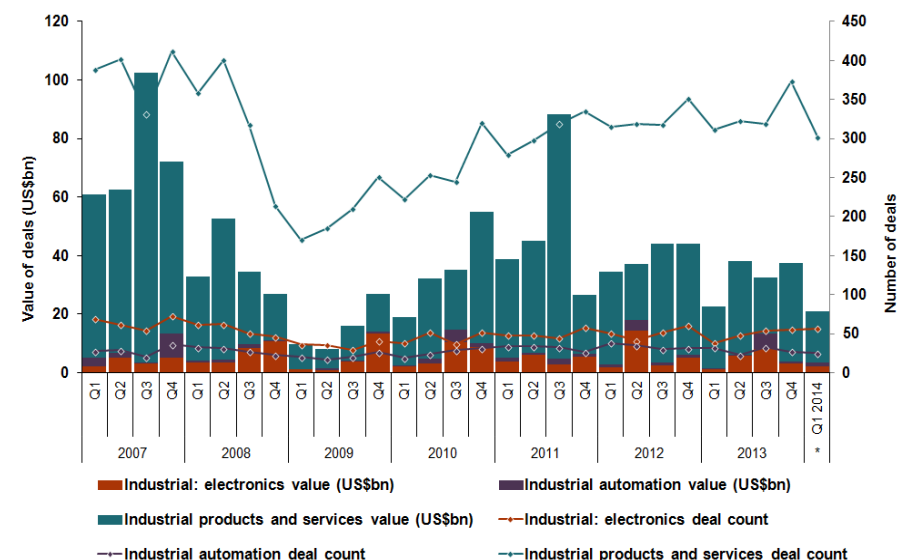


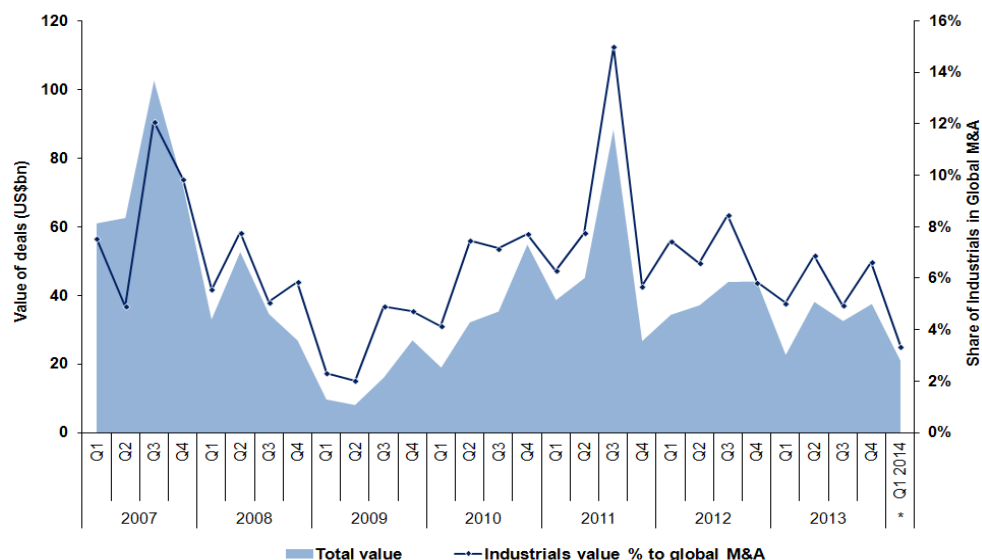
Data analysis

- Even though the overall global M&A value saw an uptick in Q1 2014 (US\$ 623.2bn) – up 10.1% on Q4 2013 and 38.6% on Q1 2013, – the Industrials sector (US\$ 20.9bn in Q1 2014) did not manage to keep up with the growth. One of only two main sectors not to have a mega-deal announced during the quarter, it dropped by 44.3% from Q4 2013 (US\$ 37.5bn) and by 7.6% from Q1 2013 (US\$ 22.6bn)
- As a result, the sector’s combined deal value accounted for only 3.4% of global M&A in Q1 2014, and its share fell to the lowest levels since Q2 2009 (2%), with the sector losing almost half of its market share from Q4 2013 (6.6%). In contrast, TMT’s share of global M&A jumped from 23.5% in Q1 2013 and 16.5% in Q4 2013 to almost a third (28.5%) of all M&A in the first quarter of 2014
- With the Technology sector gaining traction, the one Industrials sub-sector that appears to show strong performance is that with potential technology applications, Industrial automation. In fact, the sub-sector (US\$ 1.3bn in Q1 2014) almost doubled from Q4 2014 (US\$ 0.7bn), making Q1 2014’s value the sub-sector’s largest first-quarter value since Q1 2011 (US\$ 1.3bn). The top Industrial automation deal this quarter was a US\$ 548m-acquisition of Octo Telematics by Renova Group

Quarterly Industrials M&A trend



Industrials as a proportion of global M&A

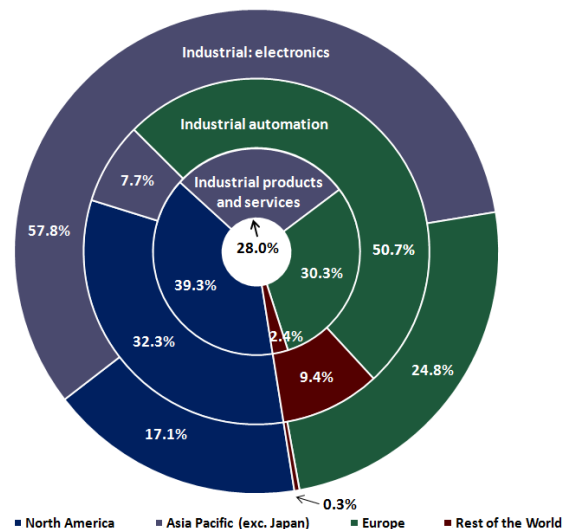


- At the same time, the Industrial products and services sub-sector (US\$ 17.3bn) slowed down, losing almost half of its value (48.5%) from Q4 2013 (US\$ 33.6bn) and decreasing by 17.6% from Q1 2013 (US\$ 21bn)
- The geography landscape of Industrials’ deals seems to be changing as well. Whereas in Q1 2013 domestic deals represented more than three-quarters (75.9%) of Industrials M&A, the share decreased to just under a half (45.6%) in Q1 2014. After three quarters of decline, cross-border deals finally picked up in the first quarter of the year (US\$ 11.4bn), up 4.5% on Q4 2014 (US\$ 10.9bn). The acquisition of Finland-based Rautaruukki by Sweden-based SSAB for US\$ 2.6bn contributed 22.8% to cross-border Industrials M&A
- **UBS Investment Bank**, which advised on two of the top five deals, became the leading financial advisor by deal value (US\$ 4.6bn, four deals), improving its position from the third place in Q1 2013
- Having advised on four deals valued at US 4.8bn, **Latham & Watkins** was the top Legal advisor by deal value for the Industrials sector during Q1 2014

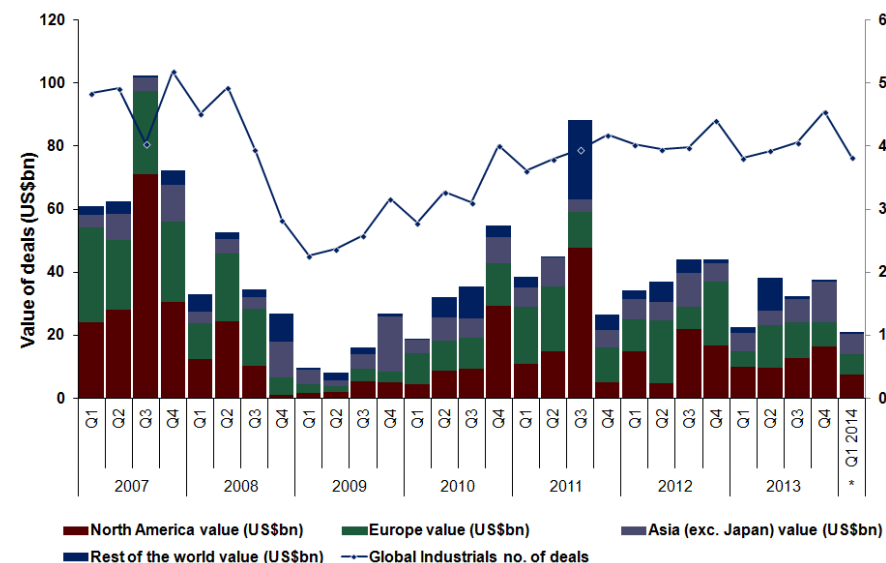
Deal drivers

- In line with the overall Industrials trend, both private equity buyouts and strategic acquisitions experienced a slowdown in Q1 2014. But while private equity (US\$ 4.3bn in Q1 2014) decreased by 10.4% compared to Q4 2013 (US\$ 4.8bn), strategic purchases (US\$ 16.6bn) dropped by 49.2% from the previous quarter (US\$ 32.7bn). As a result, Q1 2014 reversed the upward trend evident across strategic M&A in the sector over the previous four quarters
- At the same time, the restructuring effort by corporates can be seen in Europe where Swedish steel company SSAB acquired its Finnish peer Rautaruukki Oyj for US\$ 2.6bn. The deal, which was a merger of the two entities, aimed at meeting the demand slowdown and cutting costs
- As large corporates restructure their businesses, certain assets are being lapped up by private equity firms and strategics alike. Private equity exits saw some momentum in the first quarter of 2014. Exits to strategics have been more rampant as the capital markets are not showing much recovery. The German auto maker Continental's US\$ 1.9bn acquisition of Veyance Technologies has been an example of this. The private equity fund invested in this asset in 2007 and since looked at IPO option and ultimately sold it to a strategic player

Sub-sector breakdown by region Q1 2014



Quarterly geography breakdown



- With Industrial M&A activity experiencing a downturn, multiples for the sector appear to be negatively affected as well: average EBITDA multiples have been falling every year since 2010 (14.1x), finishing Q1 2014 at 10.8x. United Rentals, for example, acquired National Pump for US\$ 905m, at 8.8x EBITDA
- Average one-day-prior premium on Industrials deals stood at 9.9% in Q1 2014, the lowest on Mergermarket record (since 2001) and a considerable drop from 36.5% in 2011
- On the flip side, the low multiples and premia would be expected to make Industrial targets more affordable. If we combine this condition with the availability of capital, especially in North America, M&A in the sector should pick up, driving activity in the near future

Top deals

Ann. date	Bidder company	Bidder dominant geography	Target company	Target dominant geography	Seller company	Bidder advisors	Target/Seller advisors	Deal value (US\$bn)
22-Jan-14	SSAB	Sweden	Rautaruukki Oyj	Finland	Solidium Oy	<p>FA: Access Partners; Handelsbanken Capital Markets</p> <p>LA: Mannheimer Swartling; Morrison & Foerster; White & Case</p>	<p>FA: Nordea Corporate Finance; UBS Investment Bank; <i>Advising seller:</i> SEB</p> <p>LA: Roschier; <i>Advising seller:</i> Avance Attorneys; Vinge</p>	2.6
3-Mar-14	The Carlyle Group LLC	USA	Tyco Fire & Security Services Korea Co Ltd	South Korea	Tyco International Ltd	<p>FA: Deutsche Bank; PwC; UBS Investment Bank</p> <p>LA: Clifford Chance; Latham & Watkins; Lee & Ko; <i>Advising Debt Providers:</i> White & Case</p>	<p>FA: <i>Advising seller:</i> Morgan Stanley</p> <p>LA: <i>Advising seller:</i> Kim & Chang; Simpson Thacher & Bartlett</p>	1.9
10-Feb-14	Continental AG	Germany	Veyance Technologies Inc	USA	The Carlyle Group LLC	<p>FA: -</p> <p>LA: Freshfields Bruckhaus Deringer</p>	<p>FA: <i>Advising seller:</i> Barclays</p> <p>LA: Squire Sanders; Thompson Hine; <i>Advising seller:</i> Latham & Watkins</p>	1.9
12-Feb-14	Colfax Corporation	USA	Victor Technologies Group Inc	USA	Irving Place Capital	<p>FA: Bank of America Merrill Lynch; Citi; Deutsche Bank</p> <p>LA: Skadden Arps Slate Meagher & Flom</p>	<p>FA: Blackstone Group; RBC Capital Markets</p> <p>LA: Weil Gotshal & Manges</p>	0.9
9-Mar-14	United Rentals Inc	USA	National Pump & Compressor Ltd; Gulfco Industrial Equipment; LD Services LLC; and Canadian Pump and Compressor Ltd	USA		<p>FA: Centerview Partners; Morgan Stanley</p> <p>LA: Sullivan & Cromwell</p>	<p>FA: -</p> <p>LA: Norton Rose Fulbright</p>	0.9

League tables for advisors on Industrials deals

Financial advisor league table by value

Rank		House	Value (US\$bn)	Deal count	% Value change
Q1 14	Q1 13				
1	3	UBS Investment Bank	4,627	4	5.3%
2	11	Deutsche Bank	3,674	3	204.6%
3	2	Morgan Stanley	2,835	3	-38.6%
4	5	Handelsbanken Capital Markets	2,712	3	30.8%
5=	-	Access Partners	2,597	1	-
5=	23	Nordea Corporate Finance	2,597	1	422.5%
7	15	PwC	2,104	13	122.6%
8	-	Barclays	1,910	1	-
9	16	Citi	1,721	3	119.0%
10	-	HSBC	1,621	2	-

Legal advisor league table by value

Rank		House	Value (US\$bn)	Deal count	% Value change
Q1 14	Q1 13				
1	11	Latham & Watkins	4,840	4	196.4%
2	27	White & Case	4,764	5	628.4%
3=	9	Mannheimer Swartling	2,597	3	37.2%
3=	8	Vinge	2,597	3	37.2%
5=	236	Morrison & Foerster	2,597	1	-
5=	35	Roschier	2,597	1	422.5%
7	45	Freshfields Bruckhaus Deringer	2,458	4	656.3%
8	156	Clifford Chance	2,343	5	-
9	102	Squire Sanders	2,085	2	6,415.6%
10	15	Kim & Chang	2,022	2	93.3%

Financial advisor league table by deal count

Rank		House	Value (US\$bn)	Deal count	Deal count change
Q1 14	Q1 13				
1	1	PwC	2,104	13	-3
2	7	EY	7	6	0
3	2	M&A International	16	5	-8
4	15	UBS Investment Bank	4,627	4	1
5	8	Goldman Sachs	1,372	4	-1
6	-	Guosen Securities	461	4	-
7	11	KPMG	12	4	-1
8	37	Deutsche Bank	3,674	3	2
9	4	Morgan Stanley	2,835	3	-4
10	23	Handelsbanken Capital Markets	2,712	3	1

Legal advisor league table by deal count

Rank		House	Value (US\$bn)	Deal count	Deal count change
Q1 14	Q1 13				
1	16	Jones Day	367	10	6
2	9	King & Wood Mallesons	961	7	2
3	22	White & Case	4,764	5	2
4	28	Clifford Chance	2,343	5	2
5	2	DLA Piper	316	5	-5
6	234	Morgan Lewis & Bockius	152	5	4
7	5	Latham & Watkins	4,840	4	-3
8	102	Freshfields Bruckhaus Deringer	2,458	4	3
9	-	Lee & Ko	1,960	4	-
10	6	Weil Gotshal & Manges	1,207	4	-2

Notes

All data is based on announced transactions over US\$ 5m. Deals with undisclosed deal values are included where the target's turnover exceeds US\$ 10m. Deals where the stake acquired is less than 10% will only be included if their value is greater than US\$ 100m. Activities excluded include property transactions and restructurings where the ultimate shareholders' interests are not changed. [Criteria](#)

- M&A Trend: Based on the dominant sector of the target being Industrials and the dominant geography of the target company being Global unless otherwise stated. Excludes lapsed and withdrawn bids.
- Top Announced Deals: Based on the dominant sector of the target company Industrials. FA refers to Financial Advisor and LA refers to Legal Advisor. Excludes lapsed and withdrawn bids.
- League Tables: Based on the dominant sector of the target, bidder or seller company being Industrials. The financial advisor tables exclude lapsed and withdrawn bids. The legal advisor tables include lapsed and withdrawn bids.
- All values are in US\$.
- Mega-deal refers to deals above US\$ 5bn.
- 2014/2013 refers to the period 01-Jan-2014/2013 to 31-March-2014/2013

All data correct as of **02-April-2014**

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