

MERGERMARKET

Industrials & Chemicals Trend Report

Q1 2016

Data analysis

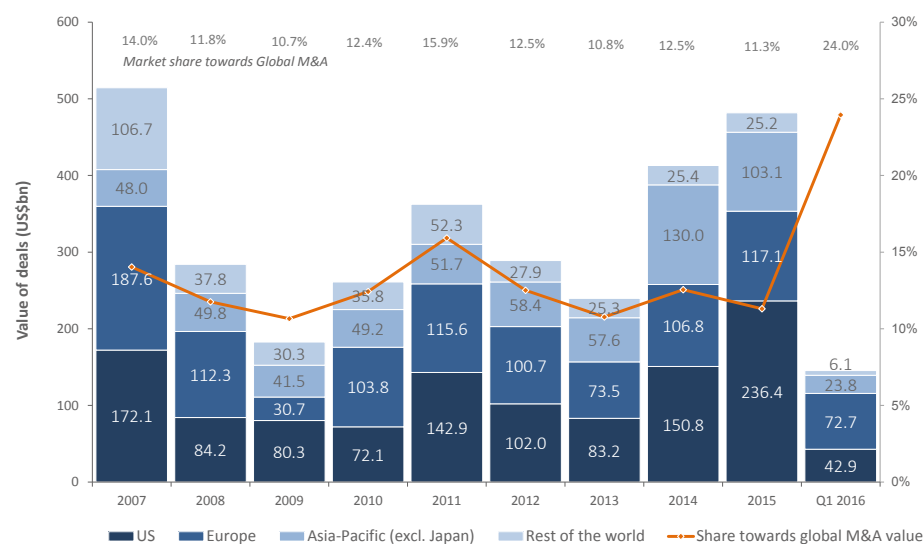
Industrials & Chemicals (I&C) was the highest performing sector by deal value during Q1 2016, with 661 deals worth US\$ 145.5bn reaching the highest Q1 value on Mergermarket record. M&A activity during the quarter was shaped by four mega deals (>US\$ 10bn) with a combined value of US\$ 85.1bn, accounting for 58.5% of overall sector value. As a result, Q1 deal value increased 71.8% compared to the same period in 2015 (760 deals, US\$ 84.7bn).

Driven by the need to increase production efficiency and expand their geographic exposure, Chinese companies have ramped up their M&A efforts in Europe, with a particular focus on the I&C sector. The highest valued deal of the quarter - the US\$ 45.9bn acquisition of Swiss-based agro-chemicals company Syngenta by China National Chemical Corporation - resulted in European Q1 M&A activity (270 deals, US\$ 72.7bn) comprising 50% of global I&C deal value; its highest quarterly share on record.

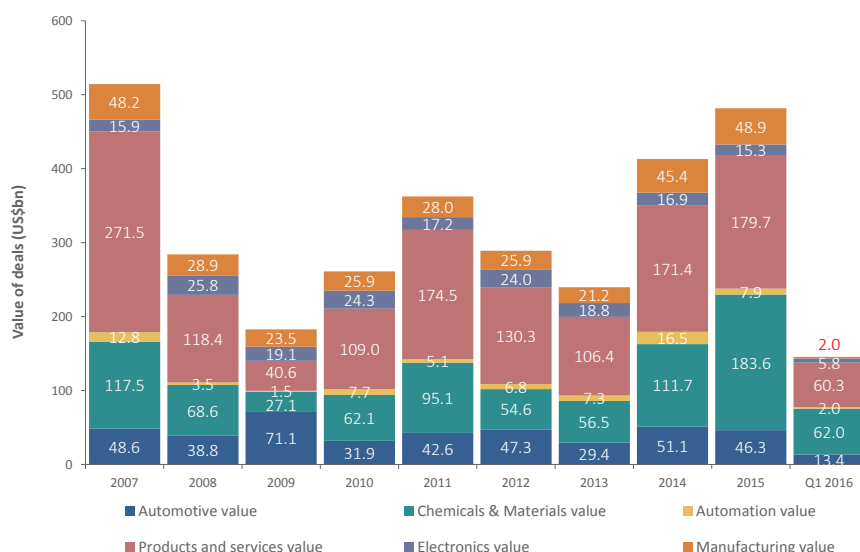
The Syngenta takeover is part of a host of deals undertaken by ChemChina targeting Europe. In the past year, the US\$ 8.8bn acquisition of Pirelli C & Spa accounted for 27.5% of Q1 2015 deal value. Now established as an effective commercial partner within European markets, the Syngenta acquisition could trigger a wave of further transactions by ChemChina, according to Mergermarket intelligence.

During Q1 2016, the US recorded 175 deals worth US\$ 42.9bn - a 36.2% increase by deal value compared to Q1 2015 (US\$ 31.5bn, 195 deals) - while accounting for 20 fewer transactions. The US' performance represents only 29.5% of the global M&A activity, down from 37.2% in Q1 2015 and its lowest Q1 share since 2010 (21.6%). The largest US deal of the quarter - the US\$ 12.3bn buyout of ADT Corporation by Apollo Global Management - accounted for 28.8% of deal value targeting the region's I&C sector.

Regional breakdown



Global sub-sector trend



Despite the highest valued transaction of the quarter being a buyout (BO), US BO activity experienced weak start to the year, with 34 transactions worth US\$ 12.7bn announced in Q1. This represented the lowest quarterly volume since Q2 2010 (24). Market volatility and a weak credit market could undermine private equity buyout activity in the near future, according to Mergermarket intelligence.

Asia (excl. Japan) recorded 162 deals worth US\$ 23.8bn during Q1 2016, a 38.4% increase by value compared to Q1 2015 (152 deals, US\$ 17.2bn). Since 2012, Q1 M&A activity targeting the region has consistently increased in terms of volume year-on-year, from 97 deals in Q1 2012 to the 162 deals recorded this quarter, signalling a strong start to the year for regional M&A. The US\$ 4.4bn acquisition of Liaoning Zhongwang Group Co by CRED Holding Co Ltd resulted in a historical high for M&A activity within Asia's Industrial Products and Services sub-sector. With 77 deals worth US\$ 14.3bn announced during the quarter, this represents a 52% increase by value compared to Q1 2015 (66 deals, US\$ 9.4bn).

Globally, the Industrial Products and Services sub-sector recorded 320 deals worth US\$ 60.3bn during Q1 2016, increasing 134% by value compared to Q1 2015 (347 deals, US\$ 25.8bn). According to Mergermarket intelligence, players within the Financial Services industry are increasingly looking for opportunities within the sub-sector, and from 2009 to 2015 recorded a compound annual growth rate of 22.4% in terms of deal count.

Goldman Sachs topped the Financial Advisor league table by value, advising on a total of eight deals worth US\$ 87.4bn having worked on the four largest deals targeting the sector this year.

Simpson Thacher & Bartlett led the Legal Advisor league table by value, with six transactions worth US\$ 84.5bn announced including the top three deals of the quarter. Jones Day advised on a total of 24 deals worth US\$ 12.9bn, making them the top advisor by deal count.

Top deals

Value (US\$m)	Deal details	Advisory details
45,860	<p>Announcement date: 03-Feb-2016</p> <p>Target: Syngenta AG (Switzerland)</p> <p>Bidder: China National Chemical Corporation (China)</p>	<p>FA to sell-side: Dyalco; Goldman Sachs; JPMorgan; N+1; UBS Investment Bank</p> <p>LA to sell-side: Baer & Karrer; Davis Polk & Wardwell; Gleiss Lutz; <i>Advising FA:</i> Cleary Gottlieb Steen & Hamilton; Cravath, Swaine & Moore</p> <p>FA to buy-side: CCB International; China International Capital Corporation; CITIC Securities Co; Credit Suisse; HSBC</p> <p>LA to buy-side: Fangda Partners; Homburger; Simpson Thacher & Bartlett; <i>Advising FA:</i> Clifford Chance; Linklaters; White & Case</p>
16,166	<p>Announcement date: 25-Jan-2016</p> <p>Target: Tyco International plc (Republic of Ireland)</p> <p>Bidder: Apollo Global Management LLC (USA)</p>	<p>FA to sell-side: Citi; Goldman Sachs; Lazard</p> <p>LA to sell-side: Arthur Cox; Simpson Thacher & Bartlett; <i>Advising FA:</i> Shearman & Sterling; Skadden Arps Slate Meagher & Flom</p> <p>FA to buy-side: Barclays; Centerview Partners</p> <p>LA to buy-side: A&L Goodbody; Wachtell, Lipton, Rosen & Katz; <i>Advising FA:</i> Sullivan & Cromwell</p>
12,269	<p>Announcement date: 16-Feb-2016</p> <p>Target: The ADT Corporation (USA)</p> <p>Bidder: Danager Corporation (USA)</p>	<p>FA to sell-side: Bank of America Merrill Lynch; Goldman Sachs</p> <p>LA to sell-side: Simpson Thacher & Bartlett; <i>Advising FA:</i> Sullivan & Cromwell</p> <p>FA to buy-side: Barclays; Citi; Deutsche Bank; RBC Capital Markets</p> <p>LA to buy-side: O'Melveny & Myers; Paul Weiss Rifkind Wharton & Garrison</p>
10,838	<p>Announcement date: 20-Mar-2016</p> <p>Target: The Valspar Corporation (USA)</p> <p>Bidder: The Sherwin Williams Company (USA)</p>	<p>FA to sell-side: Bank of America Merrill Lynch; Goldman Sachs</p> <p>LA to sell-side: Wachtell, Lipton, Rosen & Katz</p> <p>FA to buy-side: Citi; JPMorgan</p> <p>LA to buy-side: Weil Gotshal & Manges; Jones Day; <i>Advising FA:</i> Kirkland & Ellis; Davis Polk & Wardwell</p>
8,053	<p>Announcement date: 19-Jan-2016</p> <p>Target: Waste Connections Inc (USA)</p> <p>Bidder: Progressive Waste Solutions Ltd (Canada)</p>	<p>FA to sell-side: Bank of America Merrill Lynch; Morgan Stanley; Stifel/KBW; Wells Fargo Securities</p> <p>LA to sell-side: Locke Lord; Bennett Jones; <i>Advising FA:</i> Gibson Dunn & Crutcher</p> <p>FA to buy-side: BMO Capital Markets; JPMorgan</p> <p>LA to buy-side: Stikeman Elliott; Weil Gotshal & Manges; <i>Advising FA:</i> Simpson Thacher & Bartlett; Davies Ward Phillips & Vineberg</p>

Heat chart based on potential companies for sale

	Industrials & Chemicals	Consumer	Energy, Mining, Utilities	Pharma, Medical, Biotech	TMT	Financial Services	Business Services	Real Estate	Leisure	Transport	Construction	Other
North Asia	566	186	136	171	326	164	96	115	112	57	82	32
Europe	490	548	290	191	419	296	198	76	190	104	109	63
North America	306	200	505	482	443	208	264	62	73	51	24	28
South Asia	72	60	50	67	115	96	66	15	22	36	22	6
Australasia	33	75	87	55	104	60	78	13	23	18	22	33
South East Asia	54	58	63	17	52	71	36	44	30	34	31	34
C&S America	51	75	80	15	62	26	57	4	15	17	24	7
Japan	46	33	11	33	46	12	18	13	8	8	6	1
Africa	38	19	60	6	14	22	13	10	8	11	13	6
Central Asia	6	4	16	0	1	0	2	0	0	0	2	5
Middle East	14	19	20	27	51	13	12	2	9	5	6	0

Drivers

Strategic acquirers are likely to have the upper hand during 2016, several sources have told Mergermarket. Rising interest rates could restrict private equity activity, especially among sponsors focussed on larger deals. Cash-rich strategics could subsequently benefit from a potential lull in PE buyout activity. Furthermore, they are bound to look to M&A to supplement weak organic growth. Brendan Tierney, managing director of Janney Montgomery Scott, said he expects an uptick in strategic M&A volume from 2015 levels because GDP growth has tapered off and interest rates are rising. "Anyone with a reason to go has gone," he said of major transactions.

3D printing technology is conquering the space within the Industrials sector. New techniques and materials have proved this is a key technology to rapidly produce prototypes used by manufacturers in a variety of segments, from aerospace to medical technology, and for quick, serial production of small batches. As a whole, the global market for 3D printing is expected to grow to USD 17.2bn by 2020 from USD 7bn in 2016. The market for this technology is expected to increase 20% per annum in the next five years, targeting segments such as automotive and aerospace.

US deal activity this year may slow down in the near term as dealmakers look to understand and address market volatility. The impending US election is likely to affect M&A in the coming months. According to a source speaking to Mergermarket: "Election years always bring uncertainty and have the potential to slow down dealmaking, but there's also enough geopolitical uncertainty that could affect the availability of money and motivation, and introduce deal risk. Anything that is a disruption on existing business can halt deals."

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			Q1 2016		Q1 2015	
Q1 2016	Q1 2015	Company Name	Value (US\$m)	Deal count	Value (US\$m)	% Value change
1	1	Goldman Sachs	87,404	8	38,859	124.9%
2	8	JPMorgan	66,356	6	14,579	355.1%
3	-	China International Capital	51,022	5	-	-
4	12	Credit Suisse	49,480	6	10,246	382.9%
5	14	UBS Investment Bank	47,959	4	5,007	857.8%
6	33	HSBC	46,392	5	800	5,699%
7	-	N+1	45,887	5	-	-
8=	-	CCB International	45,860	1	-	-
8=	26	CITIC Securities	45,860	1	1,507	2,943.1%
8=	-	Dyalco	45,860	1	-	-

Financial advisor league table by deal count

Ranking			Q1 2016		Q1 2015	
Q1 2016	Q1 2015	Company Name	Value (US\$m)	Deal count	Deal count	Count change
1	1	PwC	145	14	26	-12
2	5	Deloitte	1,379	11	12	-1
3	10	Lincoln International	632	11	11	0
4	23	Barclays	32,538	10	5	5
5	4	KPMG	182	10	12	-2
6	17	Nomura Holdings	5,865	9	7	2
7	3	Rothschild	1,623	9	12	-3
8	6	Goldman Sachs	87,404	8	11	-3
9	12	Lazard	20,102	8	9	-1
10	13	M&A International	182	8	9	-1

Legal advisor league table by value

Ranking			Q1 2016		Q1 2015	
Q1 2016	Q1 2015	Company Name	Value (US\$m)	Deal count	Value (US\$m)	% Value change
1	127	Simpson Thacher & Bartlett	84,447	6	106	79,567%
2	15	Davis Polk & Wardwell	47,351	4	8,839	435.7%
3	18	Clifford Chance	46,896	7	7,256	546.3%
4	102	Fangda Partners	46,862	2	187	24,959.9%
5	56	Gleiss Lutz	46,492	4	763	5,993.3%
6	9	White & Case	46,280	12	10,625	335.6%
7	2	Cleary Gottlieb Steen & Hamilton	46,241	4	21,193	118.2%
8	-	Homburger	45,867	2	-	-
9=	290	Baer & Karrer	45,860	1	-	-
9=	6	Cravath, Swaine & Moore	45,860	1	16,588	176.5%

Legal advisor league table by deal count

Ranking			Q1 2016		Q1 2015	
Q1 2016	Q1 2015	Company Name	Value (US\$m)	Deal count	Deal count	Count change
1	1	Jones Day	12,882	24	17	7
2	2	DLA Piper	2,278	15	15	0
3	5	White & Case	46,280	12	13	-1
4	9	Baker & McKenzie	2,220	11	11	0
5	3	Kirkland & Ellis	11,503	10	14	-4
6	81	McDermott Will & Emery	189	10	3	7
7	91	Gibson Dunn & Crutcher	11,736	9	2	7
8	7	CMS	1,470	9	12	-3
9	11	Clifford Chance	46,896	7	9	-2
10	13	Skadden Arps Slate Meagher & Flom	19,249	7	8	-1

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\$.

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