US deal makers were on the acquiring end of four of the top ten deals during the first nine months of 2017, reflecting their desire to transact even in uncertain times.

— Paul Elie,
US Industrial Manufacturing Deals leader

Executive summary
The following is an analysis of global industrial manufacturing deals with disclosed values greater than $50 million.

Industrial manufacturing M&A results for Q3 2017 displayed much of the same as the previous quarter with relatively flat value and volume levels. Deal value came in at $16.5 billion while the number of deals announced were 57 compared to 55 in Q2 2017.

Cross sector global and US deal volume has modestly increased for the third consecutive quarter indicating the appetite to seek out M&A plays is still active and healthy. US cross-sector deal volume is substantially up for the first nine months of 2017 vs. 2016 which correlates with the double digit volume increases seen in the industrial manufacturing sector over the same period.

Although there is an eagerness to investment in technology and innovation, industrial manufacturing remains somewhat risk-averse, especially as it relates to targeting larger size investments. As highlighted in our second quarter report, the slowness of implementing trade, regulatory and tax reform in the US and the uncertainty of its implications continues to be a barrier to some. Conversely, others have accepted its existence and shifted their investment strategies to mitigate against these uncertainties.

Value by the numbers

$16.5B
Q3 2017

18%
2017 YTD vs. 2016 YTD

3%
Q3 2017 vs. Q2 2017

Volume by the numbers

57
Q3 2017

13%
2017 YTD vs. 2016 YTD

4%
Q3 2017 vs. Q2 2017

Key trends/highlights
• Deal value for the first nine months of 2017 was $52.6 billion, 18% lower than the first nine months of 2016, while deal volume saw an increase from 150 deals to 170 deals from the first nine months of 2017 vs. 2016.

• Deal value for Q3 2017 was $16.5 billion compared with $16 billion in Q2 2017. Deal volume increased slightly from 55 deals in Q2 2017 to 57 deals in Q3 2017, a 4% increase.

• The average deal size in Q3 2017 was 21% lower than the 2017 YTD quarterly average of $367 million, indicating a preference towards smaller transactions.

• There were four megadeals (deals greater than $1 billion) in Q3 2017 with an aggregate transaction value of $7.7 billion. Three of the deals were cross-border deals.

• The largest deal announced in Q3 2017 was the Swiss firm ABB acquisition of US-based GE Industrial Solutions for $2.6 billion.

• Asia and Oceania remains the most active region, accounting for 56% and 35% of M&A deal volume and value during Q3 2017.

• There were 14 megadeals announced in the first nine months of 2017 ($24.3 billion) compared to 17 in the same period of 2016 ($55.9 billion).

• Seven of the top ten megadeals in the first nine months of 2017 include China or the US as a part of the transaction vs. four over the same period in 2016.
Highlights of Q3 2017 deal activity

Deal activity

Total deal value this quarter was $16.5 billion, 3% higher than last quarter. Year to date, deal value was 18% lower than last year due to a more challenging environment for acquisitions as well as the JCI/Tyco megadeal of $22.6 billion.

There were 57 deals this quarter, 4% more than last quarter. Deal volume is 13% higher than the first nine months of 2016.

Largest transaction

In September, Swiss-based technology leader ABB Ltd. announced its intention to acquire GE’s global industrial solutions business for $2.6 billion. GE Industrial Solutions provides circuit breakers, transformers and power systems equipment for data centers and oil and gas installations.

Megadeals

There were four deals with total aggregate transaction value of $7.7 billion in Q2 2017. Megadeals accounted for 46.5% of total deal value for the quarter.

Megadeals

Source: Thomson Reuters and other publicly available sources

Sector category analysis

The Industrial Machinery category continues to account for the majority of total deal activity. The category brought in 44% of all deals in the sector, a contribution that appears to be increasing over the last year. A significant transaction in this category included the merger between China National Building Material and China National Materials for $1.95 billion.

Source: Thomson Reuters and other publicly available sources
Financial vs. strategic investors

Strategic investors continue to account for the largest share of deal activity in the sector with $12.9 billion of value and 27 deals for the quarter. As shown below, this reflects 78% of value and 65% of volume. Financial investor deal value for the first nine months of 2017 was $15.9 billion vs. $12.8 billion over the same period in 2016. This contribution is consistent with previous quarters and implies the market is more attractive for companies who can create synergies.

Regional analysis

The Asia and Oceania region remains the most active in terms of volume for the 12th consecutive quarter. In terms of value for the quarter, the region’s share of the wallet declined to 36% as the $2.6 billion acquisition of GE Industrial Solutions drove an increase in North America value to 32%. As shown on the following page, North America had the largest amount of inbound deals (14) with aggregate deal value of $9.9 billion.
Optimize deals

Key trends and insights

Regional analysis (continued)

Share of disclosed deal volume by target region

Share of disclosed deal value by target region

Source: Thomson Reuters and other publicly available sources

Industrial manufacturing deals by region YTD 2017

North America
Local: 31 deals, $11.7 billion
Inbound: 14 deals, $9.9 billion
Outbound: 10 deals, $5.2 billion

UK and Eurozone
Local: 12 deals, $2.3 billion
Inbound: 10 deals, $3.8 billion
Outbound: 8 deals, $5.9 billion

Europe ex-UK and Eurozone
Local: 4 deals, $0.9 billion
Inbound: 1 deal, $0.1 billion
Outbound: 4 deals, $2.8 billion

South America
Local: 0 deals
Inbound: 2 deals, $0.2 billion
Outbound: 1 deal, $0.1 billion

Asia and Oceania
Local: 85 deals, $20.3 billion
Inbound: 11 deals, $3.6 billion
Outbound: 10 deals, $2.9 billion

Africa/Undisclosed
Local: 0 deals
Inbound: 0 deals
Outbound: 5 deals, $0.5 billion

Source: Thomson Reuters and other publicly available sources

Steady pace for remainder of 2017

Deal value in the industrial manufacturing sector continues to be constrained as deal makers are still wary of the current investment playing field. Many of the same political uncertainties, particularly in the US and Europe, linger and have been the primary influence in declining average deal size over the last three quarters of 2017.

For foreign investors looking to capitalize on attractive businesses in the US there are positive and negative factors simultaneously working against one another. On the positive side, the Federal Reserve sees confidence in the US economy and plans to gradually continue to increase the federal funds rate. However, negative influencing the deals environment is the current administration’s inability to progress its agenda related to tax, trade, and healthcare.

We project the industry will close out the year in similar fashion to each of the three quarters of 2017 unless we see a catalyst event in the market such as tax reform.
### Top 10 industrial manufacturing deals 2017 YTD

<table>
<thead>
<tr>
<th>Announced</th>
<th>Target name</th>
<th>Target nation</th>
<th>Acquirer name</th>
<th>Acquirer nation</th>
<th>Status</th>
<th>Deal value*</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>03/08/17</td>
<td>GE Water &amp; Process Technologies Inc.</td>
<td>United States</td>
<td>Investor Group</td>
<td>France</td>
<td>Completed</td>
<td>3,381</td>
<td>Industrial Machinery</td>
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<tr>
<td>09/25/17</td>
<td>GE Industrial Solutions Inc.</td>
<td>United States</td>
<td>ABB Ltd.</td>
<td>Switzerland</td>
<td>Pending</td>
<td>2,600</td>
<td>Electronic and Electrical Equipment</td>
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<tr>
<td>02/07/17</td>
<td>Mauser Group NV</td>
<td>Germany</td>
<td>BWAY Corp.</td>
<td>United States</td>
<td>Completed</td>
<td>2,300</td>
<td>Rubber and Plastic Products</td>
</tr>
<tr>
<td>03/16/17</td>
<td>Scott Technologies Inc.</td>
<td>United States</td>
<td>3M Co.</td>
<td>United States</td>
<td>Pending</td>
<td>2,000</td>
<td>Industrial Machinery</td>
</tr>
<tr>
<td>08/07/17</td>
<td>Netafim Ltd.</td>
<td>Israel</td>
<td>Mexichem SAB de CV</td>
<td>Mexico</td>
<td>Pending</td>
<td>1,895</td>
<td>Industrial Machinery</td>
</tr>
<tr>
<td>05/21/17</td>
<td>Changsha Zoomlion Environmental Industry Co. Ltd.</td>
<td>China</td>
<td>Investor Group</td>
<td>China</td>
<td>Completed</td>
<td>1,685</td>
<td>Industrial Machinery</td>
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<tr>
<td>06/01/17</td>
<td>Ningbo Dongfang Yisheng Investment Co. Ltd.</td>
<td>China</td>
<td>Yinyi Real Estate Co. Ltd.</td>
<td>China</td>
<td>Pending</td>
<td>1,371</td>
<td>Industrial Machinery</td>
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<tr>
<td>01/13/17</td>
<td>Hitachi Koki Co. Ltd.</td>
<td>Japan</td>
<td>HK Holdings Co. Ltd.</td>
<td>Japan</td>
<td>Completed</td>
<td>1,283</td>
<td>Industrial Machinery</td>
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<tr>
<td>07/27/17</td>
<td>ASCO Power Technologies LP</td>
<td>United States</td>
<td>Schneider Electric SE</td>
<td>France</td>
<td>Pending</td>
<td>1,250</td>
<td>Electronic and Electrical Equipment</td>
</tr>
</tbody>
</table>

* In US$ millions

Source: Thomson Reuters and other publicly available sources

### Top 10 industrial manufacturing deals 2016

<table>
<thead>
<tr>
<th>Announced</th>
<th>Target name</th>
<th>Target nation</th>
<th>Acquirer name</th>
<th>Acquirer nation</th>
<th>Status</th>
<th>Deal value*</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/25/16</td>
<td>Tyco International PLC</td>
<td>Ireland-Rep</td>
<td>Johnson Controls Inc.</td>
<td>United States</td>
<td>Completed</td>
<td>22,660</td>
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<tr>
<td>11/22/16</td>
<td>Calsonic Kansei Corp.</td>
<td>Japan</td>
<td>CK Holdings Co. Ltd.</td>
<td>Japan</td>
<td>Completed</td>
<td>4,404</td>
<td>Industrial Machinery</td>
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<td>11/15/16</td>
<td>Hyundai Heavy Industries Co. Ltd.-Robot &amp; Investment Business</td>
<td>South Korea</td>
<td>Shareholders</td>
<td>South Korea</td>
<td>Completed</td>
<td>4,207</td>
<td>Industrial Machinery</td>
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<td>10/07/16</td>
<td>Atoetch BV</td>
<td>Germany</td>
<td>Investor Group</td>
<td>United States</td>
<td>Completed</td>
<td>3,200</td>
<td>Fabricated Metal Products</td>
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<tr>
<td>08/18/16</td>
<td>Pentaire PLC-Valves &amp; Controls Business</td>
<td>Switzerland</td>
<td>Emerson Electric Co.</td>
<td>United States</td>
<td>Completed</td>
<td>3,150</td>
<td>Fabricated Metal Products</td>
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<tr>
<td>06/16/16</td>
<td>Hermes Microvision Inc.</td>
<td>Taiwan</td>
<td>Ai Pu Sou Lung Co. Ltd.</td>
<td>Taiwan</td>
<td>Completed</td>
<td>3,093</td>
<td>Industrial Machinery</td>
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<tr>
<td>10/12/16</td>
<td>Newell Brands Inc.-Tools Business</td>
<td>United States</td>
<td>Stanley Black &amp; Decker Inc.</td>
<td>United States</td>
<td>Completed</td>
<td>1,950</td>
<td>Industrial Machinery</td>
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<tr>
<td>09/19/16</td>
<td>China High Speed Transmission Equipment Group Co. Ltd.</td>
<td>Hong Kong</td>
<td>Five Seasons XVI Ltd.</td>
<td>Hong Kong</td>
<td>Completed</td>
<td>1,706</td>
<td>Industrial Machinery</td>
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<tr>
<td>10/11/16</td>
<td>LM Wind Power Holding A/S</td>
<td>Denmark</td>
<td>GE Global Holdings Denmark ApS</td>
<td>Denmark</td>
<td>Completed</td>
<td>1,650</td>
<td>Industrial Machinery</td>
</tr>
<tr>
<td>07/28/16</td>
<td>Keter Plastics Ltd.</td>
<td>Israel</td>
<td>Investor Group</td>
<td>United Kingdom</td>
<td>Completed</td>
<td>1,529</td>
<td>Rubber and Plastic Products</td>
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</table>

### Top 10 industrial manufacturing deals 2015

<table>
<thead>
<tr>
<th>Announced</th>
<th>Target name</th>
<th>Target nation</th>
<th>Acquirer name</th>
<th>Acquirer nation</th>
<th>Status</th>
<th>Deal value*</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/13/15</td>
<td>Pall Corp.</td>
<td>United States</td>
<td>Danaher Corp.</td>
<td>United States</td>
<td>Completed</td>
<td>13,700</td>
<td>Industrial Machinery</td>
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<tr>
<td>09/01/15</td>
<td>China Shipbuilding Industry Corp.-Assets</td>
<td>China</td>
<td>Fengfan Stock Co. Ltd.</td>
<td>China</td>
<td>Completed</td>
<td>5,189</td>
<td>Industrial Machinery</td>
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<tr>
<td>10/15/15</td>
<td>Shandong Iron &amp; Steel Co. Ltd.-Jinan Branch Assets</td>
<td>China</td>
<td>Shandong Iron &amp; Steel Group Co. Ltd.</td>
<td>China</td>
<td>Pending</td>
<td>2,020</td>
<td>Fabricated Metal Products</td>
</tr>
<tr>
<td>01/29/15</td>
<td>The Manitowoc Co. Inc.-Foodservice Business</td>
<td>United States</td>
<td>Shareholders</td>
<td>United States</td>
<td>Completed</td>
<td>1,890</td>
<td>Industrial Machinery</td>
</tr>
<tr>
<td>12/03/15</td>
<td>China Railway Group Ltd.-Assets</td>
<td>China</td>
<td>China Railway Erju Co. Ltd.</td>
<td>China</td>
<td>Completed</td>
<td>1,847</td>
<td>Fabricated Metal Products</td>
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<tr>
<td>12/21/15</td>
<td>Hussmann Parent Inc.</td>
<td>United States</td>
<td>Panasonic Corp.</td>
<td>Japan</td>
<td>Completed</td>
<td>1,545</td>
<td>Industrial Machinery</td>
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<tr>
<td>03/11/15</td>
<td>Domino Printing Sciences PLC</td>
<td>United Kingdom</td>
<td>Brother Industries Ltd.</td>
<td>Japan</td>
<td>Completed</td>
<td>1,539</td>
<td>Industrial Machinery</td>
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<tr>
<td>07/13/15</td>
<td>Waddington Group Inc.</td>
<td>United States</td>
<td>Jarden Corp.</td>
<td>United States</td>
<td>Completed</td>
<td>1,350</td>
<td>Rubber and Plastic Products</td>
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<tr>
<td>06/23/15</td>
<td>Zqie Resources Investment Co. Ltd.</td>
<td>China</td>
<td>Investor Group</td>
<td>China</td>
<td>Pending</td>
<td>1,320</td>
<td>Industrial Machinery</td>
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<tr>
<td>04/30/15</td>
<td>Dorma Holding GmbH + Co. KGaA</td>
<td>Germany</td>
<td>Kaba Holding AG</td>
<td>Switzerland</td>
<td>Completed</td>
<td>1,289</td>
<td>Fabricated Metal Products</td>
</tr>
</tbody>
</table>

* In US$ millions

Source: Thomson Reuters and other publicly available sources
About the data

The information presented in this report is an analysis of deals in the global industrial manufacturing greater than $50 million. Deal information was sourced from Thomson Reuters and includes sector deals for which targets have an SIC code that falls into one of the 111 industrial manufacturing industry groups. Certain adjustments have been made to the information to exclude transactions which are not specific to industrial manufacturing or incorporate relevant transactions that were omitted from the SIC industry codes.

This analysis includes all individual mergers, acquisitions, and divestitures for disclosed or undisclosed values, leveraged buyouts, privatizations, minority stake purchases, and acquisitions of remaining interest announced between October 1, 2014 and September 30, 2017, with a deal status of completed, partially completed, pending, pending regulatory and pending completion and excludes all rumors and seeking buyers. Additionally, transactions that are spin-offs through distribution to existing shareholders are included.

Percentages and values are rounded to the nearest whole number which may result in minor differences when summing totals.