Mergers and acquisitions activity in the metals industry

Metals Deals
Forging Ahead
2016 outlook and 2015 review
Global dealmaking is breaking record levels but M&A has all but stalled in the metals industry. While sectors such as healthcare, consumer products, retail, technology and industrials reach new highs, metals dealmaking has moved in the opposite direction from an already low base. Despite some big announcements – Berkshire Hathaway’s US$32.1bn purchase of Precision Castparts and Alcoa’s planned demerger – completed deal value in the sector fell to a record low in 2015.

Looking ahead, away from these specific situations, we maintain our view that the constrained and somewhat uncertain overall context for global growth will continue to translate into a weak overall environment for metals dealmaking in 2016. In particular, low oil prices and the resulting decrease in steel demand have led to increased uncertainty in the steel industry and steel deals. The forecast from our modelling of metals M&A flow against wider commodities and macroeconomic trends suggests deal volume in 2016 will be close to that seen in 2015, but could be accompanied by an upturn in total deal value. Our volume forecast from a year ago proved accurate, with the number of announced deals in 2015 turning out in line with the model’s prediction. We also anticipated an upturn in announced deal value, which proved to be the case in the light of the Berkshire Hathaway announcement.

This report is the latest annual review edition in our Forging Ahead series on dealmaking in the sector. It sits alongside our quarterly Forging Ahead reports and is one of a range of deals publications from PwC, covering sectors including aerospace & defence, renewable energy and power. Together, the family of deals reports provides a comprehensive analysis of M&A activity across industries worldwide.

Jim Forbes
Global Metals Leader
We predicted last year that there weren’t sufficient macro-economic signals to suggest the kind of growth outlook that would support a recovery in metals M&A activity in 2015. Our forecast has been borne out as dealmaking stayed largely in the doldrums. On a global level, we are still waiting for recovery in the oil price and the kind of overall global pick-up in demand that would give the confidence needed to agree on valuations. With steel companies still largely focused on shedding capacity, buyers are either not in the market or are limiting themselves to carefully chosen situations.

The larger deals that we have seen come through are focused on specialty and engineered metals. Significant hurdles remain in the way of a broader pick-up in dealmaking. We don’t anticipate any significant revival in 2016 beyond some notable specific situations such as the Alcoa demerger and Berkshire Hathaway’s completion of its Precision Castparts acquisition. Indeed, the risks weighing on global economic growth are intensifying rather than diminishing.

Much of the industry outlook is affected by China, as the largest global consumer of both steel and iron ore. Chinese year-on-year steel demand growth is now firmly negative, forecast at -3.5% for 2015 and -2% in 2016. After a long and sustained period of demand growth from China, the country is now turning its economy from exports and public investment to consumption and from manufacturing to services with a consequent impact on metals demand. It is possibly a more sustainable growth path in the long-term but it poses trouble for the worldwide steel industry in the short- to medium-term as a huge amount of excess Chinese steel is exported at low prices.

The outlook in China is offset by expectations of positive demand growth in 2016 from the North American Free Trade Area (2.1%), the European Union (2.2%), the Middle East and North Africa (5.2%) and, most notably, India (7.6%).

The problem is that, possibly with the exception of India, various uncertainties cloud the outlook in all these relative bright spots. And India, with steel consumption less than a seventh of that of China, is not a substitute for the engine that China has been providing for the world market in the past decade. Overall world steel demand is forecast to grow only slightly by 0.7% in 2016 compared with a forecast outturn of -1.7% for 2015. Looking further ahead our latest Steel 2025 forecast expects global demand for steel to be approximately 2.35 billion tonnes by 2025. This is a down revision of two percentage points lower from the previous year’s forecast (2.39 billion tonnes) and is equivalent to an average global growth of 3.3% per annum over the wider period from 2012 to 2025.

The other big factor is, of course, the downward slide in commodities prices. Iron ore prices have significantly dropped, reflecting oversupply and a lack of confidence that capacity will be taken out of the market. Prices for copper and zinc have slumped. And, although in much less of a decline, aluminium prices have also fallen in the last year reflecting concerns about an oversupplied market. It is difficult to anticipate a sustained upward movement in the absence of some convincing moves involving China to cut capacity and excess supply.

We stated in last year’s report that it was reasonable to assume that a lower oil price environment would persist and this has proved to be the case, indeed with further oil price declines. The oil price impact on the sector is a complex one with benefits on the ‘input’ side and a more mixed effect on the ‘output’ side depending on sector exposure. Companies with exposure to the oil and gas extraction sector have felt the greatest negative impact. The brakes have been applied sharply to capex by US shale gas companies. Demand for both pipes and tubes, oil country tubular goods and plates used for marine structures and for line pipes are highly vulnerable to fluctuations in oil prices. On the other hand, metals companies with exposure to sectors benefiting from lower oil prices will themselves gain.

As 2016 unfolds, we believe the following key considerations are likely to characterise metals M&A activity in the period ahead.

**Metals M&A lull set to continue**

The outlook for economic growth is very relevant to metals sector M&A, given the cyclical nature of the sector and the way it is significantly affected by general economic conditions. Downside risks are increasing and global growth forecasts have been adjusted downward. It is clear from the announcements by Berkshire Hathaway and Alcoa that 2016 deal values are likely to get a boost from their specific moves. But more widely we maintain our view that the constrained and somewhat uncertain overall context for global growth will continue to translate into a weak overall environment for metals dealmaking in 2016. Current pricing levels are leaving many companies facing a cash burn. This could result in transactions at bargain prices or even capacity simply evaporating from the market as plants shut without buyers. Further filings for bankruptcy are a distinct possibility. Our modelling of metals M&A flow against wider commodities and macroeconomic trends indicates announced deal volume in 2016 will remain close to the level seen in 2015, although there could be potential for an upturn in total deal value (see panel at the end of this section).

**No end in sight for commodity price turnaround**

2015 ended with no end in sight for a commodity price downturn and 2016 began with further pessimism as China market concerns weighed down sentiment. Iron ore supply surpluses continue to escalate. The outlook for commodity prices in major end markets such as oil and gas is similarly downbeat. Metals prices themselves are not faring any better with an excess of production continu-

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1. World Steel Association, Short Range Outlook, October 2015.
2. Ibid.
3. Ibid.
ing to overhang the market. The situation is most acutely felt in steel where world prices have plunged amid excess stock from China. But the outlook is little better in aluminum where prices are back to levels seen in the 1990s and close to the sharp low recorded after the 2008 world financial crisis.

**China capacity and consolidation outlook**

OECD estimates suggest that there is almost 700Mt of excess steel capacity worldwide. The oversupply of world steel is reaching a crunch point and concerns about trade are intensifying. Towards the end of 2015, nine steel associations from around the world released a joint statement voicing their concern over China’s attempt to gain market economy status by the end of 2016. The statement was rebutted by the China Iron and Steel Industry Association which pointed to wider influences which have led to a supply glut. Certainly, producers in other countries such as India have been adding capacity. But a sustained price recovery is unlikely until Chinese production falls and much-needed consolidation takes place. There have been some mill closures in China and the direction of environmental as well as wider economic policy points towards capacity consolidation. But it remains too uncertain to foresee how significant this will be and when it will occur.

**Possible consolidation moves in India and Japan**

We see pressures for consolidation building in countries such as India and Japan as companies bid to be competitive. We believe that Indian companies may consider pursuing vertical integration opportunities – both forward integration to higher value added products to yield higher realisation, and backward integration to reduce the price of production. These transactions may be a combination of domestic and cross border deals with the potential acquisition of mines leading these companies to the international market. Since most Indian metal majors have recently expanded capacity and are running on low utilisation, we do not see much scope for deals to gain access to additional capacity. In Japan, Godo Steel and Osaka Steel have recently announced takeovers of rival companies and other companies have announced shutdowns. The pressure continues for further consolidation and capacity reduction.

**Exchange rates provide an important backdrop**

Currency weakness in key markets may present an opportunity for buyers and sellers. During 2015, for example, the Brazilian real lost nearly a third of its value against the US dollar. The real’s fall comes on top of earlier slides since 2012. Currency weakness continues also to affect the Russian ruble, the Indian rupee and the Japanese yen. It’s an important factor in further dampening appetite for international acquisitions by companies in these territories but, at the same time, it makes disposals of foreign assets by those companies more attractive in home currency terms. And, of course, the currency weakness also reduces the cost of any inbound moves for assets.

**Demerger moves come on the table**

We expect some companies may make moves away from vertical integration. In some cases, depressed commodity prices are putting strains on vertically integrated companies that have resource supply footprints that significantly exceed the physical requirement needed for their own production. In other cases, companies move towards greater specialisation, they are identifying value opportunities from disintegration. For example, Alcoa has recently announced its intention to split into an upstream bauxite, alumina, aluminum casting and energy business and a downstream specialist metals and products group. The company sees both businesses as strong value engines each with their own distinct strategic directions. The split is expected to be completed in the second half of 2016.

**Digitisation becoming a primary focus**

The pricing background and outlook will maintain companies’ focus on cost management, internal efficiencies and innovation to improve competitiveness. In a survey of chief operating officers, we found a strong focus among metals COOs on securing cost reductions and better operational efficiency. But only 57% and 54% of metals COOs say they are confident that their operations are designed to support revenue growth targets and cost and margin targets respectively. Many companies may feel the time is right to use more innovative approaches to streamline operations and deliver improvement, incorporating technological change and developments such as the internet of things to improve their end-market competitiveness. A key focus is on new product innovation and on digitisation of the supply chain. Industry 4.0, also referred to as the fourth industrial revolution, is an increasingly important component in company thinking as they seek to use the benefits of advanced connectivity and automation to reduce costs, gain greater efficiencies, enhance product offerings and improve customer service.

**Private equity pickings**

Private equity and other buyers from outside of the sector have largely stayed away in the current slump. But depressed valuations, if they reach fire-sale levels, might spur some interest. Given low capacity utilisation, it is difficult to see buyers coming in from within the sector, except where assets fill a portfolio or geographic gap. Private equity and other financial buyers, on the other hand, may be able to provide deal financing that would allow them to plan for a turnaround opportunity.

**Importance of growth areas greater than ever**

The focus of current larger deals in the sector on more highly engineered products, lightweighting and advanced metals highlights the importance of companies positioning themselves in growth parts of the market. We expect to see a continued flow of such deals and don’t rule out more big moves by outside buyers, such as the one we have seen from Berkshire Hathaway for Precision Castparts. Companies will be equally alert to upturn opportunities in currently depressed end-markets, particularly situations where there is potential to benefit from a double-rebound, both from a wider market improvement and an improving specific situation. For example, reforms in Mexico’s energy sector are opening up the country’s oil and gas industry for investment with potential infrastructure development opportunities.

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5 OECD Steel Committee
Modelling metals M&A flow against wider commodities and macroeconomic trends

PwC has conducted an analysis testing the historical relationship of metals sector M&A with a variety of macroeconomic variables and metal commodities indicators. The analysis encompasses factors including nominal GDP, direct investment levels, trade volumes and commodity prices. In particular, metals prices and the business cycle are often good predictors of deal activity.

We found strong correlations between trends in metals deal activity and the set of wider metals and macroeconomic measures in the analysis, especially in terms of flows in metals deal announcements. Our updated models produce coefficient of determination (R2) values of 0.709 and 0.828 for announced deal volume and value respectively. We’ve taken the analysis back over two decades with the following results:

2005-2015

What the analysis predicted:
- 1.2% compound annual growth rate (CAGR) in announced deal numbers.
- -2.8% CAGR in announced deal value.

What the actual outturn was:
- -0.3% CAGR in announced deal numbers.
- -1.4% CAGR in announced deal value.

Deal volume tends to be the more stable series over time, as judged by the average year-over-year change in actual number of deals. Deal value is more volatile – while it has statistically significant relationships with economic and metal commodity variables, it is also susceptible to variability arising from the potential for a few exceptionally large deals to drive the annual totals. This can make deal value less certain to predict compared to the trend in deal volume.

In our prior year report, our model predicted deal volume would remain subdued, which has proved to be in line with the actual outturn. We also forecast a significant rise in announced deal value which, buoyed by the Berkshire Hathaway/Precision Castparts deal, proved to be the case. But we must again emphasise the greater volatility and forecast error associated with the deal value forecast.

Looking ahead

What the model predicts for the year ahead:
- 3.9% CAGR in announced deal numbers.
- 8.7% CAGR in announced deal value.

Our updated models indicate a modest year on year increase in announced metals M&A deal numbers in 2016 and a growth in deal value. The data and forecasts for these indices were sourced from the Oxford Economics.

We publish the outcome only for announced deals here because the historical analysis indicates that this provides the most robust and strong correlation. Please note that this differs from the analysis in the rest of this report, which is based on completed deals.

Announced deal volume projections

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Deal flow: sector deal value falls to record low

The total value of metals sector deals in 2015 fell to the lowest levels recorded in our series of reports. Deal value dropped 32% year on year, from US$16.8bn in 2014 to US$11.4bn in 2015, US$3.7bn below the low of 2009, immediately post-credit crunch, and US$4.7bn below the level of 2003, the first year of our data series (figure 1). It’s a far cry from the 2006-08 period when total deal value in the sector was an average of nearly nine times higher (figure 1).

During periods of high sector M&A, much of the focus was on larger, international deals. These have become fewer in number with a greater concentration on smaller, often domestic deals. So despite the record low in total deal value, deal volume, while significantly short of some peaks reached at the turn of the decade, is broadly comparable with many earlier years.

Crossborder deal volume was down 7% and the total value of international deals plunged 65%, from US$9.6bn in 2014 to just US$3.4bn in 2015 (figure 2), surpassing the previous lowest international deal value seen in 2013. US$2.5bn of these international deals were cross-continental in nature compared to US$7.4bn in the previous year.

Deal activity, as measured by the value of completed transactions, was largely focused on ‘other metals’, which took a two-thirds share of sector deal value (figures 3 and 4). Much of the ‘other metals’ deal value features in the top deals discussed in the next section.

In steel, total deal value more than halved year on year, from an already low US$7.6bn in 2014 to US$3.3bn in 2015. Total worldwide aluminium deal value was negligible at US$0.7bn. But deal volume actually rose year on year in steel, reflecting the focus on smaller deals.

Figure 1: Total metals deals, 2003-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Cross border number as % of total number</th>
<th>Value (US$bn)</th>
<th>Cross border value as % of total value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>321</td>
<td>27%</td>
<td>11.4</td>
<td>30%</td>
</tr>
<tr>
<td>2014</td>
<td>336</td>
<td>28%</td>
<td>16.8</td>
<td>57%</td>
</tr>
<tr>
<td>2013</td>
<td>357</td>
<td>26%</td>
<td>34.8</td>
<td>11%</td>
</tr>
<tr>
<td>2012</td>
<td>507</td>
<td>30%</td>
<td>45.8</td>
<td>39%</td>
</tr>
<tr>
<td>2011</td>
<td>531</td>
<td>33%</td>
<td>38.2</td>
<td>57%</td>
</tr>
<tr>
<td>2010</td>
<td>548</td>
<td>34%</td>
<td>26.1</td>
<td>51%</td>
</tr>
<tr>
<td>2009</td>
<td>521</td>
<td>25%</td>
<td>15.1</td>
<td>29%</td>
</tr>
<tr>
<td>2008</td>
<td>397</td>
<td>38%</td>
<td>60.6</td>
<td>62%</td>
</tr>
<tr>
<td>2007</td>
<td>411</td>
<td>35%</td>
<td>144.7</td>
<td>68%</td>
</tr>
<tr>
<td>2006</td>
<td>385</td>
<td>29%</td>
<td>86.4</td>
<td>73%</td>
</tr>
<tr>
<td>2005</td>
<td>250</td>
<td>40%</td>
<td>34.8</td>
<td>49%</td>
</tr>
<tr>
<td>2004</td>
<td>166</td>
<td>40%</td>
<td>37.0</td>
<td>31%</td>
</tr>
<tr>
<td>2003</td>
<td>164</td>
<td>30%</td>
<td>16.1</td>
<td>60%</td>
</tr>
</tbody>
</table>

Source: PwC Forging Ahead deal analysis, using data from Bloomberg, mergermarket, Thomson Financial and PwC analysis.
Figure 2: Domestic and crossborder metals deals, 2014-2015

<table>
<thead>
<tr>
<th></th>
<th>Number of deals</th>
<th>Deal value (US$bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Domestic</td>
<td>242</td>
<td>234</td>
</tr>
<tr>
<td>Cross-border</td>
<td>94</td>
<td>87</td>
</tr>
<tr>
<td>Total</td>
<td>336</td>
<td>321</td>
</tr>
</tbody>
</table>

Note: Deal values are rounded to a single decimal place. Figures may not sum due to rounding and are instead reported accurately for both total and sub-totals.

Figure 3: Deal making industry sector (by target)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of deals</th>
<th>Deal value (US$bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Steel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>69</td>
<td>87</td>
</tr>
<tr>
<td>Cross border</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>97</td>
<td>115</td>
</tr>
<tr>
<td>Aluminium</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>44</td>
<td>28</td>
</tr>
<tr>
<td>Cross border</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>42</td>
</tr>
<tr>
<td>Other Metals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>129</td>
<td>119</td>
</tr>
<tr>
<td>Cross border</td>
<td>50</td>
<td>45</td>
</tr>
<tr>
<td>Total</td>
<td>179</td>
<td>164</td>
</tr>
</tbody>
</table>

Note: Total deal values are rounded to a single decimal place. The % change column reports accurate percentage change in total values before rounding and may differ from the percentage change in rounded values.

Figure 4: Dealmaking by industry sector (by target)
(Deal value shown in parenthesis)

- Other metals 65% (US$7.5bn)
- Steel 29% (US$3.3bn)
- Aluminium 6% (US$0.7bn)
- Total US$11.4bn

- Other metals 49% (US$8.2bn)
- Steel 45% (US$7.6bn)
- Aluminium 6% (US$1.0bn)
- Total US$16.8bn
Deal makers: who’s doing what?

Growth areas such as lightweighting and specialist metals for sectors such as automotive, aerospace and solar were the focus for many of the largest deals. The big landmark move - Berkshire Hathaway’s US$31.6bn purchase of Precision Castparts - is a deal that dwarfed the whole of the rest of the year’s dealmaking but remained pending at the close of the year and hence is outside the completed deals data for 2015.

Precision Castparts is a worldwide, diversified manufacturer of complex metal components and products. It serves the aerospace, power, and general industrial markets and is a market leader in many castings, forged components and other highly engineered parts for the aerospace sector. The deal was greeted by comments about the size of the multiple being paid but it comes at a time of relatively cheap financing and, like other Berkshire Hathaway moves, is being made with very long-term horizons in mind.

Away from Precision Castparts, the top deals table reflects the decline in the size of metals M&A deals. The largest deal - Grupo Ferroatlantica’s US$1.3bn combination with Globe Specialty Metal – would have been ranked number five in value if it had been completed a year earlier and would have been outside of the top five in most previous years.

The largest completed deals also had a strong focus on metals targeted at growing end-markets. The Globe Specialty Metal merger brings together Globe’s footprint in North America and FerroAtlántica’s European footprint. Globe Specialty Metal is a North American producer of silicon metal and silicon alloys serving customers in the specialty chemical, aluminum, solar, steel and ductile iron foundry industries while FerroAtlántica is a global producer of silicon metal, silicon-based alloys and manganese alloys.

Similarly, Alcoa’s US$1.3bn purchase of RTI International Metals gives it greater capacity in the titanium and specialty metal products and services used in the aerospace, defense, energy and medical device markets. RTI’s multi-material aerospace portfolio, includes a contract with Airbus for finished titanium structural supply parts for the new A350-1000 aircraft programme.

Further down the list, diversified industrial company NN Incorporated’s US$615m acquisition of Precision Engineered Products was another example of reach into aerospace as well as advanced engineering and production of components for customers in the medical, electrical and transportation markets.

There was a greater geographical spread of buyers and targets in 2015. Three of the ten largest deals were for US targets but, a year earlier, there were seven such deals in the top ten. Five of the top ten featured Asia Pacific buyers and three of these deals were domestic transactions, two in China and one in South Korea. In the largest, South Korean steel producer Hyundai Steel, a sister company of automakers Hyundai Motor, absorbed its steelmaking affiliate Hyundai Hysco. The biggest outbound move by an Asia Pacific buyer was Australia’s BlueScope Steel’s US$760m acquisition from Cargill of 50% share of US mini-mill operator North Star BlueScope Steel that it did not already own.
### Figure 5: Top ten metals deals 2015

<table>
<thead>
<tr>
<th>Rank</th>
<th>Completion Date</th>
<th>Target</th>
<th>Sector</th>
<th>Bidder</th>
<th>Target Nation</th>
<th>Bidder Nation</th>
<th>Value ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>12/23/2015</td>
<td>Globe Specialty Metals Inc</td>
<td>Other Metal</td>
<td>Grupo Ferroatlantica SA</td>
<td>United States</td>
<td>Spain</td>
<td>1,333</td>
</tr>
<tr>
<td>2</td>
<td>7/23/2015</td>
<td>RTI International Metals Inc</td>
<td>Other Metal</td>
<td>Alcoa Inc</td>
<td>United States</td>
<td>United States</td>
<td>1,266</td>
</tr>
<tr>
<td>3</td>
<td>9/1/2015</td>
<td>Mineracoes Brasileiras Reunidas S A MBR</td>
<td>Other Metal</td>
<td>Fundo de investimento em Participacoes Multisectorial Plus II</td>
<td>Brazil</td>
<td>Brazil</td>
<td>1,185</td>
</tr>
<tr>
<td>4</td>
<td>7/1/2015</td>
<td>Hyundai Hysco Co Ltd</td>
<td>Steel</td>
<td>Hyundai Steel Co</td>
<td>South Korea</td>
<td>South Korea</td>
<td>1,148</td>
</tr>
<tr>
<td>5</td>
<td>10/30/2015</td>
<td>North Star Bluescope Steel</td>
<td>Steel</td>
<td>BlueScoope Steel Ltd</td>
<td>United States</td>
<td>Australia</td>
<td>760</td>
</tr>
<tr>
<td>6</td>
<td>3/18/2015</td>
<td>Jiangsu Shagang Co Ltd</td>
<td>Other Metal</td>
<td>Investor Group</td>
<td>China</td>
<td>China</td>
<td>734</td>
</tr>
<tr>
<td>7</td>
<td>10/20/2015</td>
<td>Precision Engineered Products LLC</td>
<td>Other Metal</td>
<td>NN Inc</td>
<td>United States</td>
<td>United States</td>
<td>615</td>
</tr>
<tr>
<td>8</td>
<td>9/30/2015</td>
<td>Ambatovy Nickel Project</td>
<td>Other Metal</td>
<td>Sumitomo Corp</td>
<td>Madagascar</td>
<td>Japan</td>
<td>447</td>
</tr>
<tr>
<td>9</td>
<td>12/10/2015</td>
<td>Shangai Krupp Stainless Co Ltd</td>
<td>Steel</td>
<td>Lujiazui International Trust Corp Ltd</td>
<td>China</td>
<td>China</td>
<td>420</td>
</tr>
<tr>
<td>10</td>
<td>5/19/2015</td>
<td>Ningxia Xinri Hengli Steel Wire Co Ltd</td>
<td>Steel</td>
<td>Shanghai Zhongneng Enterprise Development Group Co Ltd</td>
<td>China</td>
<td>China</td>
<td>210</td>
</tr>
</tbody>
</table>

### Figure 6: Top five deals still pending at year end 2015

<table>
<thead>
<tr>
<th>Rank</th>
<th>Month announced</th>
<th>Target</th>
<th>Sector</th>
<th>Bidder</th>
<th>Target Nation</th>
<th>Bidder Nation</th>
<th>Value ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aug 2015</td>
<td>Precision Castparts Corp</td>
<td>Steel</td>
<td>Berkshire Hathaway Inc</td>
<td>United States</td>
<td>United States</td>
<td>31,595</td>
</tr>
<tr>
<td>2</td>
<td>May 2015</td>
<td>Iron Mining International (Mongolia) Ltd</td>
<td>Other metals</td>
<td>Zhongrun Resources Investment Corp</td>
<td>Mongolia</td>
<td>China</td>
<td>1,935</td>
</tr>
<tr>
<td>3</td>
<td>March 2015</td>
<td>Zhejiang Deqing Hanggang Fuchun Renewable Technology Co Ltd</td>
<td>Other metals</td>
<td>Hangzhou Iron &amp; Steel Co Ltd</td>
<td>China</td>
<td>China</td>
<td>1,664</td>
</tr>
<tr>
<td>4</td>
<td>Aug 2015</td>
<td>Shougang Jingtang Iron &amp; Steel Corp</td>
<td>Steel</td>
<td>Beijing Shougang Co Ltd</td>
<td>China</td>
<td>China</td>
<td>1,652</td>
</tr>
<tr>
<td>5</td>
<td>May 2015</td>
<td>Xining Special Steel Co Ltd</td>
<td>Steel</td>
<td>Investor Group</td>
<td>China</td>
<td>China</td>
<td>1,974</td>
</tr>
</tbody>
</table>
The year-on-year falls in metals deal value in recent years to relatively low levels have translated into considerable volatility in regional shares of worldwide metals deal activity. In recent years, the largest share of deal value has alternated between the Asia Pacific region and North America. In the last twelve months it was Asia Pacific’s turn, with a 40% share of deal volume and a 45% share of deal value (figure 7). The 45% Asia Pacific value share was up sharply on its lowly 17% share in 2014 but still short of the 61% share in 2013.

The importance of Asia Pacific to 2015 deal value is highlighted in figure 8 – target deal value in the rest of the world more than halved year on year. Much of this came from a sharp fall in North American completed deal target value, down by over a third from US$7.6bn in 2014 to US$4.8bn in 2015. South America recorded an increase in target deal value, but from a very low base. Most striking, though, is the near drying-up of deal value in in western Europe and also in central and eastern Europe (CEE). The Russian Federation is counted in the CEE totals. Russian sanctions and currency weakness are among the factors clouding that region’s deal environment.
Contacts

Global Metals Team

Jim Forbes
Global Metals Leader
jim.forbes@ca.pwc.com
Tel: +1 (905) 815 6397

Usha Bahl-Schneider
Global Metals Marketing & KM Senior Manager
usha.x.bahl-schneider@za.pwc.com
Tel: +27 11 797 4787

Territory contacts

Brazil
Ronaldo Valino
ronaldo.valino@br.pwc.com
Tel: +55 21 3232 6139

China
Ken Su
ken.x.su@cn.pwc.com
Tel: +86 6533 7290

Finland
Janne Rajalahti
janne.rajalahti@fi.pwc.com
Tel.: +359 20 787 8016

France
Marc Gerretsen
marc.gerretsen@fr.pwc.com
Tel: +33 1 5657 8216

Germany
Frank Schmidt
frank.r.schmidt@de.pwc.com
+49 69 9585 6711

India
Tapan Ray
tapan.ray@in.pwc.com
Tel: +91 98201 02067

Italy
Corrado Testori
corrado.testori@it.pwc.com
Tel: +39 06 570256442

Japan
Taisuke Shiino
t.shiino@jp.pwc.com
Tel: +81 80 3449 7698

Korea
Jong-Chul Han
jong-chul.han@kr.pwc.com
Tel: +82 2 709 0408

Mexico
Jose Almodovar
jose.almodovar@mx.pwc.com
Tel: +52 55 5263-6000

Middle East
Anil Khurana
anil.khurana@ae.pwc.com
Tel: +971 4304 3100 (ext. 3652)

Netherlands
Dennis Muntslag
dennis.muntslag@nl.pwc.com
Tel: +31 887 927282

Philippines
Roderick Danao
roderick.danao@ph.pwc.com
Tel: +63 8452728

Poland
Tomasz Reinfuss
tomasz.reinfuss@pl.pwc.com
Tel: +48 4296100

Russia
Lev Vilyaev
lev.vilyaev@ru.pwc.com
Tel: +7 495 2325703

Slovakia
Daniel Webster
daniel.w.webster@us.pwc.com
Tel: +421 2 59350 774

Sweden
Sten Håkansson
sten.haakansson@se.pwc.com
Tel: +46 8 55533349

Switzerland
Urs Brügger
urs.bruegger@ch.pwc.com
Tel: +41 58 792 4510

Taiwan
Gary Chih
Gary.chih@tw.pwc.com
Tel: +886 2 2729 6666

UK
Darren Jukes
darren.jukes@uk.pwc.com
Tel: +44 207 804 8555

US
Michael Tomera
michael.tomera@us.pwc.com
Tel: +1 412 355 6095
Methodology

Metals Deals 2015-16 is based on published transactions from the SDC Platinum (Thomson Reuters) database, January 2016. The report includes data from prior years and is the latest in an annual series of metals deals reports. Comparative data for prior years may differ from that appearing in previous editions of our annual analysis. This can arise, for example, because of updated information or methodological refinements and consequent restatement of the input database.

Analysis encompasses only those deals which are completed in the calendar year, except for figure 6, which is based on pending deals. Deal values are the consideration value announced or reported, including any assumption of debt and liabilities. Figures relate to actual stake purchased and are not extrapolated to 100%. The geographical split of the deals refers to the location of the target company or assets. Deals located in the territory of the Russian Federation are included in the totals for central and eastern Europe. The analysis relates to target companies in the supply chain for metals and basic metal products, including recycling.

The sectors and subsectors analysed include deals for targets with primary SIC codes that fall into one of the following industry groups: iron ores; ferroalloys, except vanadium; steelworks, blast furnaces, rolling mills and finishing mills; iron and steel foundries; primary smelting and refining/nonferrous; secondary smelting and refining/nonferrous; rolling, drawing, and extruding/nonferrous; nonferrous foundries; miscellaneous primary metals products; and metals service centres and offices.