

# ***Forging ahead***

## First-quarter 2011 global metals industry mergers and acquisitions analysis

*Special report:  
Gaining a competitive  
advantage by retaining top  
talent through a merger*

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Welcome to *Forging ahead*, PwC's quarterly analysis of mergers and acquisitions (M&A) in the global metals sector. Deal activity remains solid with the same number of deals, 26, as in the fourth quarter of 2010. Total quarterly deal value decreased slightly but is still ahead of the recessionary lows experienced in 2009 and early 2010. With deal activity and value similar to the previous quarter, average deal value also remained relatively constant and ahead of the recession-influenced lows of previous years.

## **Special report:**

# **Gaining a competitive advantage by retaining top talent through a merger**

Metals companies and other businesses engaged in merger and acquisition activity by necessity face numerous challenges. Among them are the complexities related to merging approaches, achieving synergies, reducing costs, and accessing new markets to sustain growth. With so much at risk, talent issues are too often overlooked. And yet, the effective handling of cultural concerns, compensation issues, and retention of key talent is vital to the success of the newly combined organization.

Merger integration involves effectively managing multiple priorities. A staggering 70% of deals fail to deliver their intended benefits, often because cultural and people issues were underestimated or mismanaged.<sup>1</sup> As a result, companies are becoming increasingly aware that M&A value creation, strategic growth, and sustainable business success hinge on effective management of the human capital side of the equation.

### ***The implications of organizational change***

Major changes in the workplace can cause fear and uncertainty among employees. When organizational change programs fail, it is largely because employees feel uncertainty around job security, and may become disconnected or excluded from the process. Many of these concerns are exacerbated by poor communication. As a result, employees end up lacking the motivation, skills, and knowledge to effectively adapt to change.

These issues come to the forefront during integration. One company, responding to a survey of participants in the recent M&A and Human Capital Roundtable hosted by PwC, reported beginning its retention campaign by posing a key question to incoming employees: “Do you see a future for yourself at this company?”<sup>3</sup> Understanding and addressing the response to that question is particularly relevant to a large global firm acquiring a boutique or small start-up, as some professionals eager to join a 15-person team may not be as passionate about signing up for an organization that numbers in the tens of thousands.

### ***Keeping pivotal talent***

The metals industry has continued to expand through operations in the booming emerging markets.

Because of the significance of their growth and demand, emerging markets are critical to a company’s future more than developed markets, according to 73% of the 37 metals CEOs in 23 countries who responded to PwC’s 14th Annual Global CEO Survey.

Competition is expected to be fierce in emerging markets where workers typically do not have expectations of being employed by one company for life and turnover rates are significantly higher. Consequently, finding, keeping, and motivating employees who have the right skill sets has become a top corporate priority—70% of the metals CEOs responding to the same survey reported that they plan to revise their people strategy “somewhat” or “significantly” to deploy more staff internationally in 2011. Nearly half of those surveyed said that they will expand their workforces during the same period.<sup>4</sup>

Identifying and retaining top talent is essential to successful integration efforts and a primary aspect of the due diligence process. The acquiring company must define each employee’s importance to the business relative to the transition and beyond. The company must make an assessment regarding which employees it needs for short-term transition and long-term value creation.

Some employees may be essential to the process of transitioning the target’s customer base to the acquirer, while others may be integral to managing or otherwise maintaining the target’s ongoing operations. Another group may be critical because they are responsible for day-to-day operations.

When defining these needs, companies examine three levels of criticality:

- Strategically critical—Employees most essential to the ongoing operations of the newly combined organization—typically, top executives, key business unit leaders, and key individual contributors

<sup>1</sup> “When two become one,” Hourglass, PwC, December 2010

<sup>2</sup> “Forging ahead: Fourth-quarter 2010 global metals industry mergers and acquisitions analysis,” PwC, 2011

<sup>3</sup> “Talking about the people side of M&A,” PwC, 2010

<sup>4</sup> “Growth Reimagined: Metals industry summary,” *14th Annual Global CEO Survey*, PwC, 2011

- Integration critical—Employees essential to the integration effort
- Knowledge-transfer critical—Employees with specialized knowledge essential to the transfer of ongoing information and know-how

Categorizing key employees lets an organization assess employees individually and determine whether managers at different levels or locations will require different retention packages. The process also allows for more efficient deployment of strong performers to other positions within the new company, particularly in situations where two talented employees perform duplicate roles.

Investing heavily in “pivotal talent” can be a source of major competitive advantage. Pivotal talent comprises the game-changing employees whose performance can make or break the bottom line. They are best positioned to add the greatest value and have the greatest impact on the future success of a company.

In their efforts to retain pivotal talent, companies are augmenting discussions about salary and incentives with information regarding the shape of the corporate culture. For example, will the new organization be one of learning and empowerment, or one of process discipline?

Adding urgency to concerns regarding retention is the issue of global skills gaps, with nearly 60% of metals CEOs who responded to the PwC 14th Annual Global CEO Survey reporting that they are concerned about a limited supply of skilled candidates. Nearly half believe that their most valuable talent is aggressively pursued by competitors, and that it is becoming more difficult to attract younger employees to traditional career paths.

Recruitment and retention are particularly challenging in China, where turnover can be double, triple, or even quadruple the rate in the United States or Europe. To address those concerns, 68% of those responding to the CEO survey reported plans to use nonfinancial incentives, including training and mentoring programs, along with a greater emphasis on career management.<sup>5</sup>

### ***Bridging cultural differences***

Nearly half of the companies attending the M&A and Human Capital Roundtable reported that cultural alignment—bridging the potentially value-destroying cultural differences between acquirer and target—takes a full calendar year to achieve. The necessity for insight into

cultural differences is even more crucial when the two organizations are based in different countries.

As a result, companies are focusing heavily on:

- Assessing the cultural compatibility between the target and the acquirer
- Developing a culture integration roadmap in the first 30 days, or even before close if there is sufficient information about the two organizations’ cultural compatibility
- Holding the C-suite members accountable for sponsoring and leading culture change, while empowering functions and local teams to adapt and begin culture integration programs

### ***Launching an effective communications plan***

A solid communications plan is paramount during integration. Continual communications about the acquisition’s status and the multiple cultural and other issues that employees will face are integral to a satisfactory transition in which the company retains valuable talent and prevents productivity slowdowns. In such an uncertain environment, employees require communications that are regular and accurate, including clarity around leadership, to avoid misinformation.

Managing people and talent issues during and after mergers and acquisitions comes with its own set of challenges. Failure to properly meet these challenges can result in:

- Reduced employee morale
- Employee exodus
- Stakeholder risk
- Loss of valuable intellectual property
- Continuity concerns

To avoid such adverse effects on deal value, organizations strive to understand the emotional impact on employees facing major workplace changes, which often include revisions to their roles, geographical relocations, and potential cultural conflicts. Acquirers can provide salary and other incentives robust enough to appeal to those professionals of greatest value to the organization—during the transition and going forward. Companies that successfully employ these strategies can increase their prospects for achieving mergers and acquisitions that bring the intended results, including a post-merger integration that proceeds smoothly from Day One.

<sup>5</sup> “Growth Reimagined”

## ***Perspective:***

# Thoughts on metals deal activity in the first quarter of 2011

The number of mega deals, defined as deals with a disclosed value of at least \$1 billion, decreased slightly. Companies announced four mega deals in the first quarter, compared with five announced in the fourth quarter of 2010. However, these first quarter deals targeted different companies while the five fourth quarter 2010 deals included three competing bids for Draka Holding. We believe that the current mega deal trends will continue at a global level as 2011 progresses.

Deal valuation, as reflected by EBITDA multiples, increased significantly in the first quarter of 2011.

Analysis of the trend in financial liquidity indicates that the sector is becoming better positioned to pay for new deals. A survey of the top 50 publicly traded global metals competitors reveals that these companies have, on average, significantly higher cash balances than just two quarters ago. Average cash increased almost 17% since the third quarter of 2010 (\$2 billion compared with \$1.71 billion). This cash, in combination with improved availability of credit and interest rates that are extremely low compared with historical averages, positions companies well to take advantage of opportunities. These trends should lead to increased activity, at least in the near term.

Financial investors are increasing their involvement in the sector. Illustrating this most notably was the \$1.95 billion bid for Companhia Brasileira de Mineração e Metalurgia (CBMM) by a group of Asian investor companies in the quarter's third-largest deal. Another example was Renco Group's \$1.13 billion purchase of three mills from Severstal North America, the fourth-largest steel company in the United States. This was the fourth-largest deal announced during the first quarter.

The Asia and Oceania and North American regions drove overall deal value in the first quarter with total deals involving targets of \$6.7 billion and acquirers of \$6.6 billion. Asia and Oceania contributed 12 local deals and North America four local deals, with a combined value of \$7.4 billion of the worldwide total of \$7.61 billion in local deals.

The regional distribution of deals during the first quarter continued the trend seen since 2009, as acquirers from advanced economies were responsible for an increased proportion of overall activity. Making acquisitions offers companies a number of opportunities for growth that might not be available from a strictly organic growth strategy. Possibilities include enhanced access to raw materials, entrance into new markets, and creation of larger economies of scale.

During the first quarter of 2011, targets classified as iron ore were the primary driver of activity, tallying almost 40% of the quarter's value. The major contributor was the proposed \$4.1 billion acquisition of Canadian miner Consolidated Thomson. Activity in this category increased significantly compared with 2010, when iron ore captured only 20% of overall activity.

The recovery in the metals deal market, which began last year, is expected to continue. Although metals prices remain well below mid-2008 highs, prices continue to recover from the lows of early 2009. The outlook for the balance of 2011 is positive. For example, aluminum prices are predicted to average 7% higher, and steel prices may grow as much as 66% through the end of the year. This opportunity for growth, combined with strong balance sheets and a favorable debt environment, leads us to believe that activity should increase throughout 2011.

# Commentary

## Quarterly metals deal activity

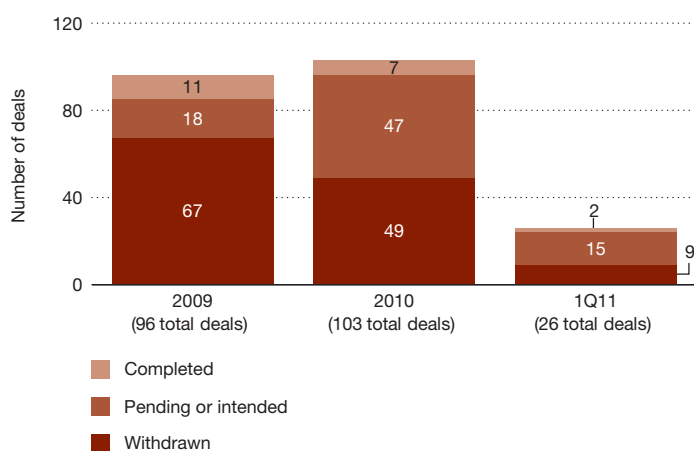
Measured by number and value of deals worth \$50 million or more

	2008			2009				2010				2011
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Number of deals	44	35	27	18	17	24	37	24	21	32	26	26
Total deal value (US\$ bil)	18.2	22.2	16.3	11.8	63.1	7.5	10.2	6.3	16.8	53.2	14.0	12.9
Average deal value (US\$ bil)	0.4	0.6	0.6	0.7	3.7	0.3	0.3	0.3	0.8	1.7	0.5	0.5

Note: Sum of quarterly deal values may not match total deal value chart below due to rounding

## Deal activity by number of deals

Measured by number of announced deals worth \$50 million or more



## Active deal market continues into 2011

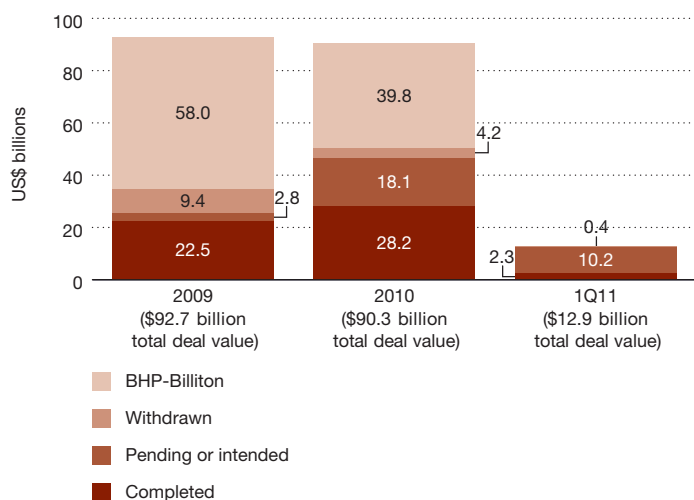
The metals M&A deal market remained active, as 26 deals were announced in the first quarter of 2011, the same as in the fourth quarter of 2010. However, values declined, with the first quarter totaling \$12.9 billion compared with \$14 billion in 4Q10.

On a positive note, if we compare the first quarters of 2010 and 2011, the number of deals rose from 24 to 26 and values more than doubled, from \$6.3 billion to \$12.9 billion.

It should be noted that both 2009 and 2010 deal values were significantly impacted by withdrawn purchases involving BHP-Billiton. Had its 2009 deal for Rio Tinto (valued at \$58 billion) not been included, total deal value would have been only \$34.6 billion. Similarly, BHP-Billiton's withdrawn offer for Potash Corporation of Saskatchewan added \$39.76 billion to the total deal value in 2010. Without this deal, total value would have been only \$50.5 billion.

## Deal activity by total deal value

Measured by value of announced deals worth \$50 million or more



The recovery in the metals deal market, which began last year, is expected to continue. Although metals prices remain well below mid-2008 highs, prices continue to climb from the lows of early 2009. The outlook for the balance of 2011 is positive. For example, aluminum prices are predicted to average 7% higher, and steel prices may grow as much as 66% through the end of the year, according to the Financial Times. It should be noted that commodity prices are only one driver in the industry, although they are a major one.

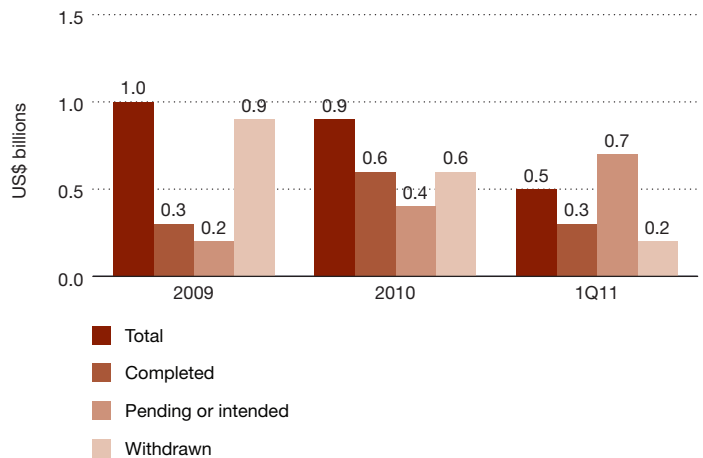
## Median values of deals increase significantly in 1Q11

Similar to the trend in total deal value, the progression of average deal values reflects the influence of the aforementioned mega deals involving BHP Billiton (Rio Tinto joint venture and Potash announcement). While average deal values have declined, they would actually have increased if those deals were excluded. Since the industry saw four mega deals in the first quarter of 2011, we believe that mega deals will continue to be an important factor in M&A activity as 2011 progresses. Additionally, they will likely drive increased deal values in future quarters.

Median deal valuation, as reflected by EBITDA, increased significantly in the first quarter of 2011. Despite the run-up in valuations for deals in 1Q11, it is likely the future valuations will return closer to the more normalized multiples of around 7x EBITDA.

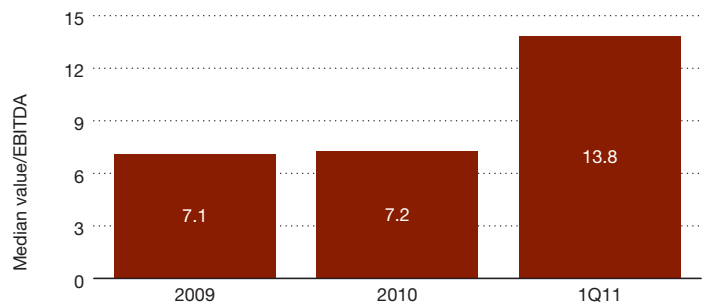
## Deal activity by average deal value

Measured by value of announced deals worth \$50 million or more



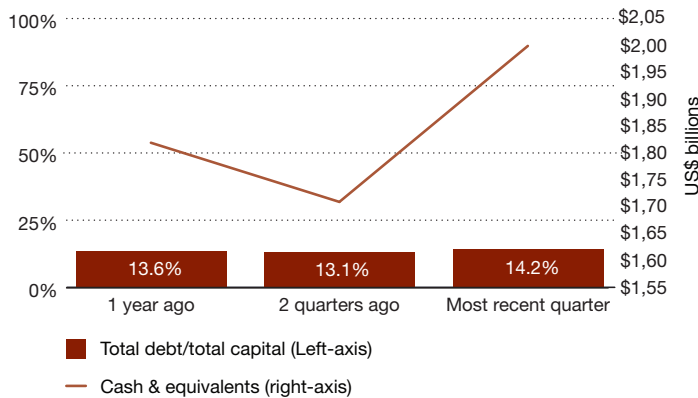
## Deal activity by median value/EBITDA

Measured by value/EBITDA for deals worth \$50 million or more in which target EBITDA was available



### Financial leverage

Measured by average of top 50 global public competitors



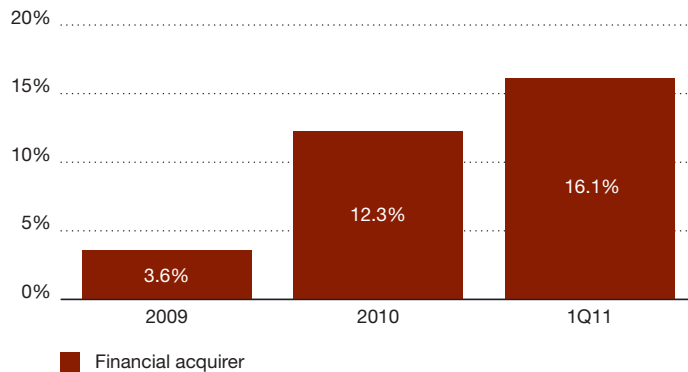
### Improved cash balances position companies for growth

Analysis of the trend in financial liquidity indicates that the sector is becoming better positioned to engage in new deals. A survey of the top 50 publicly traded global competitors reveals that these companies have, on average, significantly higher cash balances than just two quarters ago. Average cash increased almost 17% since the third quarter of 2010 (\$2 billion compared with \$1.71 billion). Companies' cash, considered in conjunction with the relatively low level of interest rates, provide acquirers with considerable buying power.

Financial investors are increasing their involvement in the sector, illustrated most notably by the \$1.95 billion bid for Companhia Brasileira de Mineração e Metalurgia (CBMM) by a group of strategic and financial investors in the quarter's third-largest deal. Another example from the quarter is Renco Group's \$1.13 billion purchase of three mills from Severstal North America, the fourth-largest integrated steel company in the United States. This was the fourth-largest deal announced during the first quarter.

### Proportion of financial investors

Measured by percentage of deals worth \$50 million or more



We expect financial investors to remain engaged in metals deals, though their focus is likely to stay on downstream targets, with upstream assets remaining primarily the domain of strategic acquirers. The reasons include the inherent volatility, political risks, and potentially longer holding periods required for upstream acquisitions.

## Mega deals in 2009 (value of \$1 billion or more)

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US\$ bil	Category
Jun	Rio Tinto PLC-Western Australian Iron Ore Assets	Australia	BHP Billiton Ltd-Western Australian Iron Ore Assets	Australia	Withdrawn	58.00	Iron Ore
Feb	Hamersley Iron Pty Ltd	Australia	Aluminum Corp of China (Chinalco)	China	Withdrawn	5.15	Iron Ore
Oct	United Company Rusal Ltd	Russian Fed	United Company Rusal Ltd	Russian Fed	Completed	4.50	Aluminum
Sep	Daewoo International Corp	South Korea	Posco Co Ltd	South Korea	Completed	2.83	Other
Feb	Rio Tinto Ltd	Australia	Aluminum Corp of China (Chinalco)	China	Withdrawn	2.63	Iron Ore
May	Ternium Sidor	Venezuela	Corporacion Venesolana de Guayana (CVG)	Venezuela	Completed	1.97	Steel
Jul	ThyssenKrupp CSA Siderurgica do Atlantico Ltda	Brazil	Vale SA	Brazil	Completed	1.37	Steel

## Mega deals in 2010 (value of \$1 billion or more)

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US\$ bil	Category
Aug	Potash Corp of Saskatchewan Inc	Canada	BHP Billiton PLC	United Kingdom	Withdrawn	39.76	Other
May	Vale SA-Aluminum Operations	Brazil	Norsk Hydro ASA	Norway	Completed	4.95	Aluminum
Jul	Arcelor Mittal NV-Stainless Division	Luxembourg	Shareholders	Luxembourg	Completed	3.18	Other
Oct	CommScope Inc	United States	Carlyle Group LLC	United States	Completed	3.02	Other
Apr	BSG Resources Guinea Ltd	Guernsey	Vale SA	Brazil	Completed	2.50	Steel
Jun	Hangang Hanbao Iron & Steel Co Ltd	China	Hebei Iron & Steel Co Ltd	China	Pending	2.35	Steel
Jun	Mineracao Usiminas SA	Brazil	Sumitomo Corp	Japan	Completed	1.93	Iron ore
Dec	Anshan Iron & Steel Group Corp – Assets	China	Pangang Group Steel Vanadium & Titanium Co Ltd	China	Pending	1.73	Steel
Jun	Gerdau Ameristeel Corp	Canada	Gerdau Steel North America Inc	Canada	Completed	1.61	Steel
Nov	Draka Holding NV	Netherlands	Tianjin Xinmao Science & Technology Co Ltd	China	Withdrawn	1.37	Other
Mar	Rio Tinto PLC-Simandou Iron Ore Project	Guinea	Aluminum Corp of China (Chinalco)	China	Pending	1.35	Iron ore
Aug	Arcelor Mittal South Africa Operations (Pty) Ltd	South Africa	Lexshell 771 Investments (Pty) Ltd	South Africa	Pending	1.26	Steel
Nov	Draka Holding NV	Netherlands	Prysmian SpA	Italy	Completed	1.26	Other
Mar	Itaminas Comercio de Minerios SA	Brazil	East China Mineral Exploration & Development Bureau	China	Pending	1.22	Other
Jul	Paranapanema SA	Brazil	Vale SA	Brazil	Withdrawn	1.14	Other
Jul	JSW Steel Ltd	India	JFE Steel Corp	Japan	Completed	1.03	Steel
Oct	Draka Holding NV	Netherlands	Nexans SA	France	Intended	1.02	Other

## Mega deals in 2011 (value of \$1 billion or more)

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US\$ bil	Category
Jan	Consolidated Thompson Iron Mines Ltd	Canada	Cliffs Natural Resources Inc	United States	Pending	4.11	Iron Ore
Jan	Elkem AS	Norway	China National Bluestar (Group) Co Ltd	China	Pending	2.00	Aluminum
Mar	Companhia Brasileira de Mineração e Metalurgia (CBMM)	Brazil	Investor Group	Japan	Pending	1.95	Steel
Mar	Severstal North America Inc	United States	The Renco Group Inc	United States	Completed	1.19	Steel

### Mega deal activity declines slightly

The number of mega deals, defined as deals with a disclosed value of at least \$1 billion, decreased slightly. Companies announced four mega deals in the first quarter, compared with five in the fourth quarter of 2010 (although three of these five were competing bids for Draka Holding).

One similarity between the 2009 and 2010 mega deal announcements is that the largest deal in each year involved iron ore acquirers. In 2009, the \$58 billion BHP Billiton-Rio Tinto Western Australia iron ore joint venture fell victim to competition concerns; and in 2010, the BHP Billiton-Potash acquisition was withdrawn after the Canadian government blocked the deal. These deals illustrate the challenge that large metals and mining companies face when trying to boost growth inorganically in a sizeable way and put large amounts of capital to profitable use. Another primary issue is that these deals for large targets are harder to close because of regulatory or competition concerns.

Cliffs Natural Resources' \$4.1 billion all-cash offer for Consolidated Thompson Iron Mines was the largest deal announced in the first quarter. The deal appears to be moving forward; in April, Industry Canada gave approval for the acquisition.

The second-largest deal announced this quarter was a \$2 billion binding agreement by China National Bluestar Group (Bluestar) to purchase Norway-based Elkem, which is owned by Orkla. Bluestar will gain ownership of Elkem Silicon Materials, Elkem Foundry Products, Elkem Carbon, and Elkem Solar. The acquisition is expected to strengthen Bluestar's competitiveness in the silicones industry.

In March 2011, an investor group comprising Nippon Steel, JFE Steel, Sojitz Corporation, Japan Oil, Gas & Metals National Corp. (JOGMEC), and National Pension Service (NPS) agreed to purchase a 15% stake in niobium mining company Companhia Brasileira de Mineração e Metalurgia (CBMM) for \$1.95 billion. The rationale behind this deal was to gain long-term access to columbium, an alloy additive needed for certain types of steel production.

Finally, in March, New York-based investment company Renco Group agreed to buy three of Russian steelmaker Severstal's US mills to create its own flat-rolled steel business. The deal is valued at \$1.19 billion. The new unit, RG Steel, will be the fourth-largest producer of flat-rolled steel in the United States.

## North America and Asia drive overall, local deal volumes

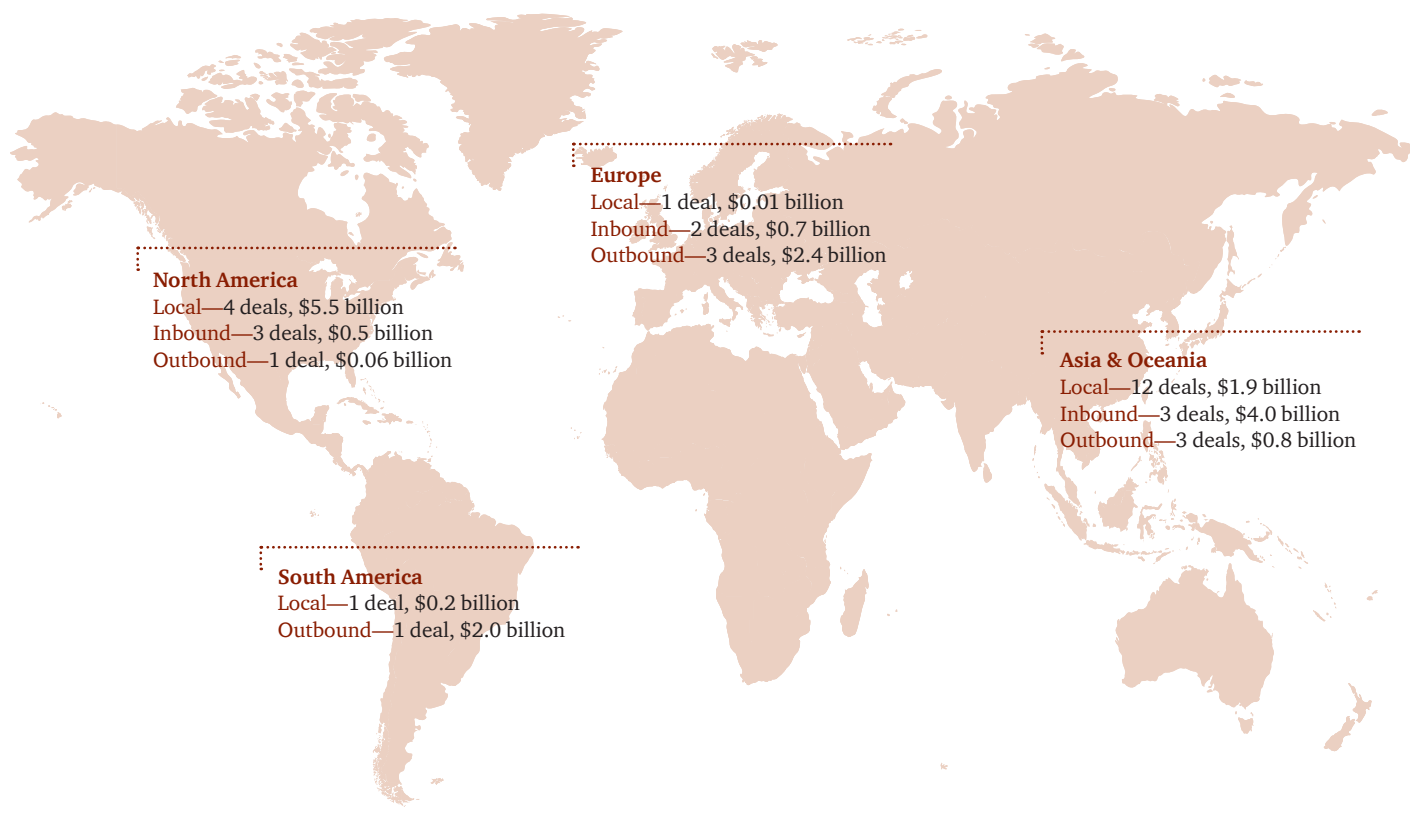
The Asia and Oceania and North America regions drove overall deal value in the first quarter, with deals that have at least one entity in these regions contributing \$6.7 billion and \$6.1 billion, respectively. Volume was driven by 12 deals within the borders of Asia and Oceania and four in North America, with a combined value of \$7.4 billion of the worldwide total of \$7.6 billion in local deals.

It is expected that Asia and Oceania will continue to drive local deal value through 2011 as smaller Chinese companies find it beneficial to combine and achieve economies of scale.

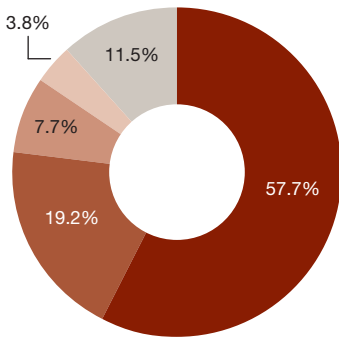
Europe was the primary driver for outbound deals, with \$2.4 billion, while Asia and Oceania dominated inbound deals with \$4 billion of the \$5.2 billion total. Similar to the local deal interest, Asia and Oceania will see large inbound activity as companies in other regions seek a foothold in emerging markets and look for ways to reduce operating costs.

### Global metals M&A activity

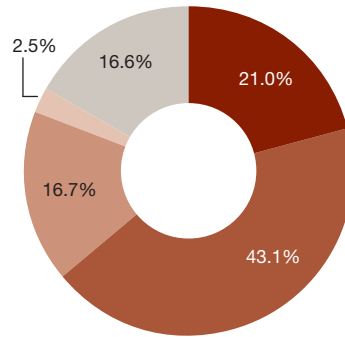
Measured by number and value of deals worth \$50 million or more (1Q11)



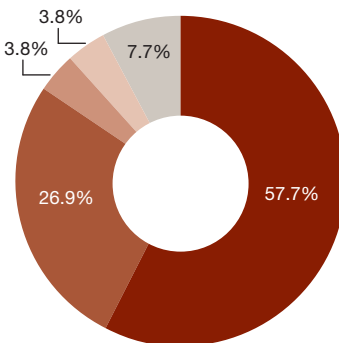
**Regional distribution of deals by target region**  
 Measured by number of deals worth \$50 million or more (1Q11)



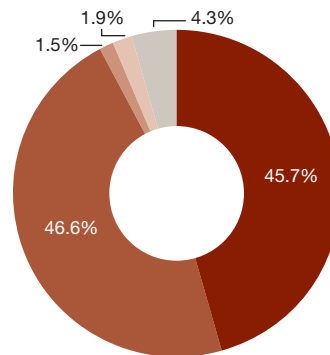
**Regional distribution of deals by target region**  
 Measured by value of deals worth \$50 million or more (1Q11)



**Regional distribution of deals by acquirer region**  
 Measured by number of deals worth \$50 million or more (1Q11)



**Regional distribution of deals by acquirer region**  
 Measured by value of deals worth \$50 million or more (1Q11)



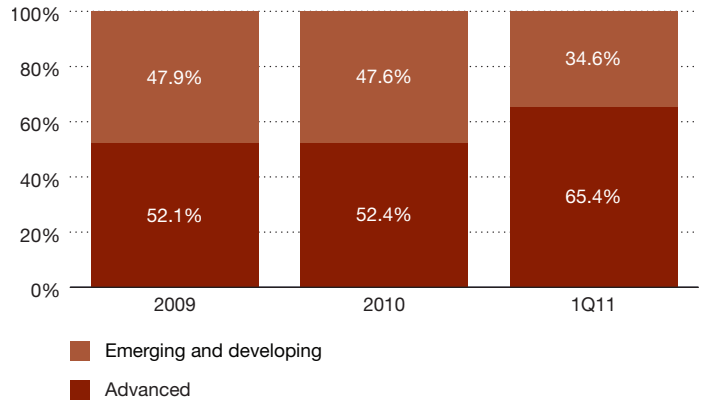
Asia & Oceania
  North America
  South America
  UK & Eurozone
  Europe ex-UK & Eurozone
  Africa/Undisclosed

### ***Acquirers from advanced economies increase in first quarter***

The regional distribution of deals during the first quarter continued the trend seen since 2009 as acquirers from advanced economies captured a greater proportion of overall activity. Acquisitions offer companies a number of opportunities for growth that might not be available from a strictly organic growth strategy. Possibilities include enhanced access to raw materials, entrance into new markets, and creation of larger economies of scale.

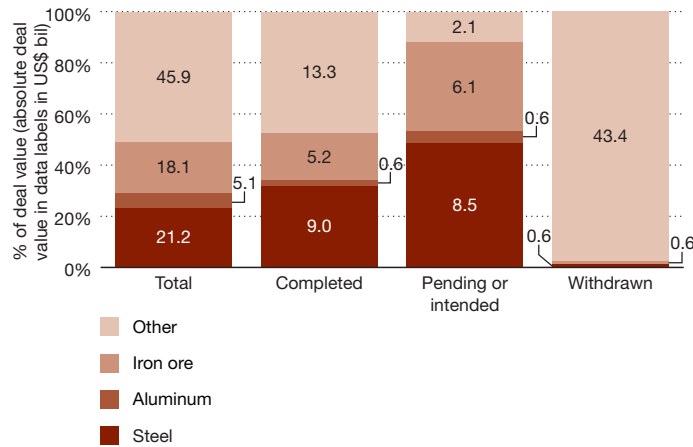
### **Acquirers from advanced versus emerging and developing economies**

Measured by value of deals worth \$50 million or more



### Deals by target metal category—2010

Measured by value of deals worth \$50 million or more



### Iron ore deals drive 1Q11 deal making

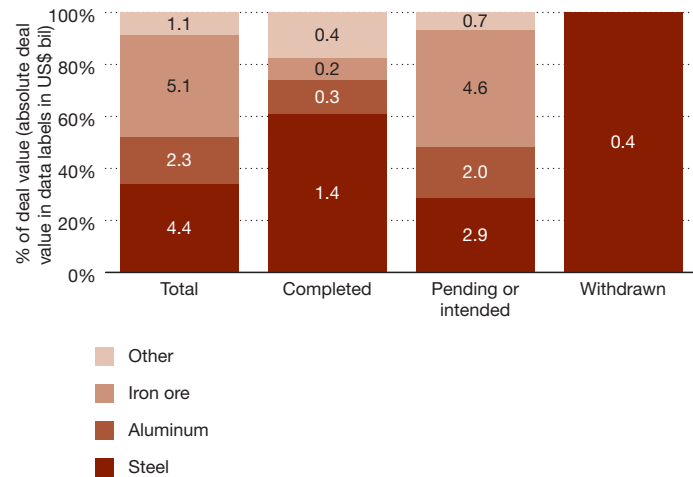
PwC segments the metals sector into four categories by comparing standard industrial classification (SIC) codes to our internal classification system. Based on this process, we group deals into four product segments:

- Steel
- Aluminum
- Iron ore
- Other

During the first quarter of 2011, targets classified as iron ore were the primary driver of activity, contributing almost 40% of the quarter's deals. The category was aided by the proposed \$4.1 billion acquisition of Canadian miner Consolidated Thomson. This iron ore activity increased significantly from 2010, when it represented only 20% of overall deals.

### Deals by target metal category—1Q11

Measured by value of deals worth \$50 million or more



It should be noted, as mentioned previously in this report, that 2010 results were skewed by the inclusion of BHP-Billiton's \$39.76 billion bid for Potash Corporation of Saskatchewan. Had this deal, which was categorized as other, been excluded, the proportion of 2010 deals involving iron ore companies would have been significantly higher (42%).

The emphasis on iron ore deals makes sense as companies seek to integrate reliable iron ore supplies into their organizational structures. Also adding to the increase in iron ore deals was horizontal consolidation of some of the smaller players.

## ***PwC spotlight***

With M&A activity steadily increasing across the globe, many companies are facing complex talent management challenges. A range of people issues need to be addressed, including such matters as organizational design, integration planning, and the cultural blend between the acquirer and the target.

M&A transactions often fail to achieve the desired results, and for a variety of reasons. By seeking to properly understand, address, and resolve concerns around these issues during the due diligence stage, companies can significantly increase the chance for success with the deal and the business going forward.

### ***How PwC can help***

PwC's People and Change (P&C) practice supports clients by conducting cultural assessments through interviews and surveys to help identify critical issues for the integration.

PwC helps companies:

- Use a culture tool that assesses the operational norms of the two organizations coming together and identifies how they might affect the integration. The goal is to map the differences between the operating styles, cultural drivers, and HR policies and practices of the two companies to give the acquirer a clear picture of the size of the gulf between the organizations and decrease any cultural roadblocks to integration progress.
- Hold workshops with the two senior teams and agree on the go-forward culture, a process that helps the teams to respect each other's differences and to start to speak the same language.
- Build an elite integration team, relocating top performers from their usual roles to work with leadership and an effective integration management office. Companies can no longer afford to choose members of their integration teams based solely on availability.
- Execute a strong, clear communications strategy by providing the right communications at the right time and accounting for different levels of employee understanding of the changes. Steady communication is vital, even when there is no major news to disseminate, as an important element in combating the distractions and anxious behaviors that result from an integration effort.
- Determine whether there are likely to be any significant employee-related costs.

Organizations considering a merger or acquisition must devote appropriate time and resources to merge company cultures, HR policies and processes, and organizational reporting relationships. PwC's disciplined approach to delivering people integration helps companies achieve early wins, build momentum, and instill confidence among stakeholders. PwC takes a proactive approach to helping clients focus on the right things at the right times, thereby enhancing the value of the deal .

PwC's time-tested integration processes support client integration teams and supplement these teams with experienced professionals who fill resource and technical gaps as needed.

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## **Specialty case study:** Positioning for global positioning

### ***A metals company strategizes for international mobility***

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<b>Issue</b>	Following a merger, a major metals company saw an uptick in overseas projects and, consequently, an increased need for international staffing. While the company previously had achieved success with talent management in its home country, it lacked a clear international assignment policy. The company requested PwC's help in defining, expanding, and implementing its international mobility strategy.
<b>Action</b>	<p>PwC interviewed numerous international employees of the company, analyzed the issues, and proposed a twofold approach calling for:</p> <ul style="list-style-type: none"><li>• Development of an action plan with focus on five key HR processes</li><li>• Development of an international policy framework defining the international assignment objectives and incorporating the global guiding principles. The framework additionally defined the various types of mobility, and the terms of conditions of each type of mobility, which enabled the company to manage the mobility processes according to the HR action plan.</li></ul>
<b>Impact</b>	The framework, focused on equal treatment of employees and transparency, also emphasized issues related to assignment selection criteria, talent management, and succession planning. It allowed the company to take a coherent approach to all international mobility issues within the organization. The organization centered its efforts on five high-priority international HR processes, and allocated resources to the plan.

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# PwC's metals experience

## Deep metals experience

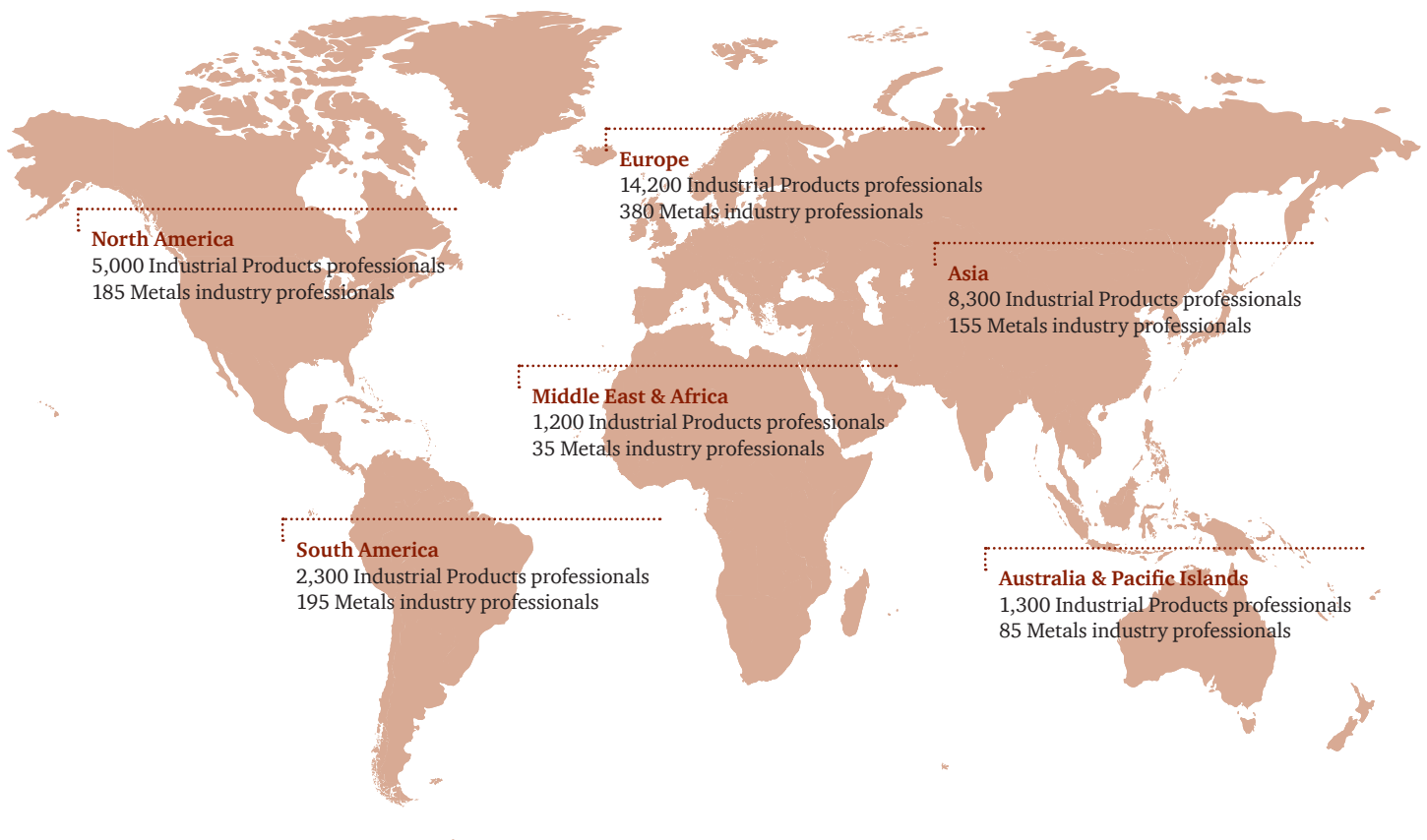
PwC continues to have the leading Fortune Global 500 market share in the metals industry. Our Metals practice serves ferrous and nonferrous primary and secondary metals producers through a network of more than 1,000 professionals strategically located around the world. Central to the successful delivery of our services is an in-depth understanding of today's industry issues, in addition to our wealth of specialized resources and "best practices" that help in solving complex business challenges. Our highly skilled team encourages dialogue on top-of-mind trends and issues through active participation in industry conferences and associations, such as the American Iron and Steel Institute, as well as through industry-focused publications and Web forums. To address your industry needs wherever they arise, our professionals are concentrated in areas where the metals industry operates today and in the emerging markets where it will operate in the future.

## Quality deal professionals

PwC's Transaction Services practice, with more than 6,500 dedicated deal professionals worldwide, has the right industry and functional experience to advise you on various factors that could affect a transaction, including market, financial accounting, tax, human resources, operating, IT, and supply chain considerations. Teamed with our Metals practice, our transaction professionals can bring a unique perspective to your deal, addressing it from a technical aspect as well as from an industry point of view.

## Global connection

In addition to the more than 1,000 professionals who serve the metals industry, our team is part of an expansive Industrial Products group that consists of more than 32,000 professionals, including approximately 17,000 providing assurance services, 8,300 providing tax services, and 7,000 providing advisory services. This expands our global footprint and enables us to concentrate efforts in bringing clients a greater depth of talent, resources, and know-how in the most effective and timely way.



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## ***PwC Global Metals practice***

PwC's Metals practice provides industry-focused assurance, tax, and advisory services. Through our global network, we can draw upon the in-depth industry experience of specialists in every country in which your company operates. Our people can help you deal with the challenges of today, and they understand the implications for tomorrow.

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PwC's Transaction Services practice offers a full range of tax, financial, business assurance, and advisory capabilities covering acquisitions, disposals, private equity, strategic M&A advice, advice on listed company transactions, financing, and public-private partnerships.

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## Methodology

*Forging ahead* is an analysis of merger and acquisition activity in the global metals industry. Deal information was sourced from Thomson Reuters and includes deals for targets with primary SIC codes that fall into one of the following industry groups: iron ores; ferroalloy ores, except vanadium; steel works, 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 centers and offices. Balance sheet data was sourced from public company reports.

This analysis includes all individual mergers and acquisitions for disclosed or undisclosed values, leveraged buyouts, privatizations, minority stake purchases, and acquisitions of remaining interest announced between January 1, 2009, and March 31, 2011, with a status of completed, intended, partially completed, pending, pending regulatory approval, unconditional (i.e. initial conditions set forth by the acquirer have been met but deal has not been completed), or

withdrawn. The term *deal*, when referenced herein, refers to transactions with a disclosed value of at least \$50 million unless otherwise noted.

Regional categories used in this report approximate United Nations (UN) regional groups, as determined by the UN Statistics Division, with the exception of the North America region (includes North America, Latin America, and the Caribbean UN groups), the Asia and Oceania region (includes Asia and Oceania UN groups), and Europe (divided into United Kingdom and Eurozone and Europe ex-UK and Eurozone regions). International Monetary Fund classifications were used to label economies as advanced or developing and emerging. Overseas territories were included in the region of the parent country. China, when referenced separately, includes Hong Kong.

Competing deals, not just the ultimate successful deal partner, were included in the data set used throughout the document.

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