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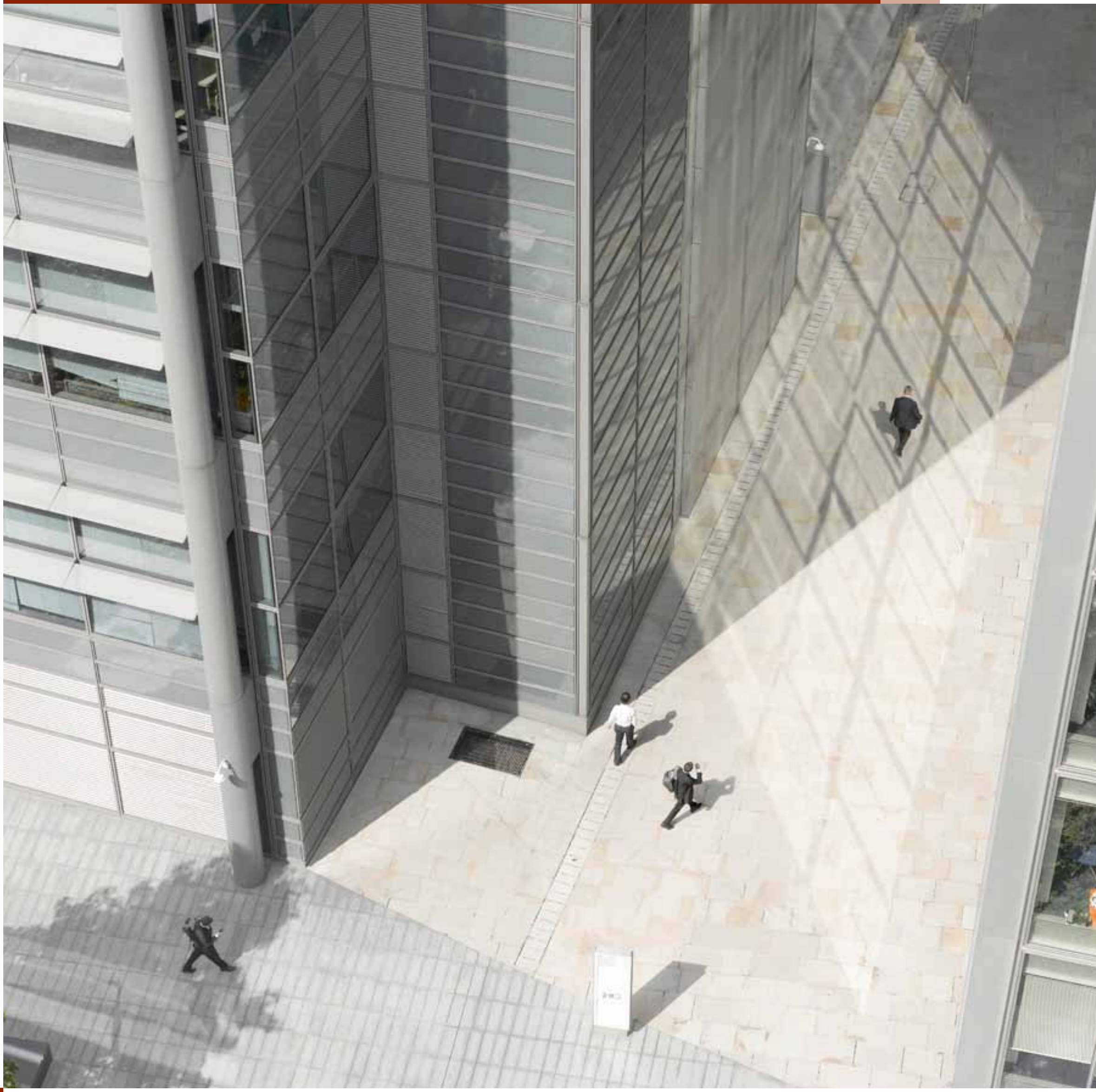
Forging ahead
Third-quarter 2010 global metals industry mergers and acquisitions analysis

Curate's egg: The changing deal environment



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Welcome to *Forging ahead*, our quarterly analysis of deal activity in the metals sector. The pace of metals mergers & acquisitions (M&A) activity continues to demonstrate improvement when measured by the number and value of announcements, particularly when adjustments are made for the impact of the $58 billion BHP Billiton-Rio Tinto iron ore joint venture. This transaction, which was announced in 2009, was recently withdrawn.

Special report:
Curate's egg: The changing deal environment

A curate and his egg

An English idiom, a curate's egg comes from a cartoon in the British magazine Punch *in November 1895. Over time, the phrase curate's egg has evolved to mean something having a mix of good and bad qualities.*

Today's global economy is like a curate's egg. Economic expectations are good and bad, positive and negative. As the US economy's unpredictability generates greater concern, metals companies are exercising caution as they consider strategic deals in emerging markets where growth in the gross domestic product (GDP) is high.

The concept of a curate's egg is especially relevant to the metals industry's M&A market. On the positive side, the number of deals closed during the third quarter of 2010 shot up significantly from the previous year, an indication that the global economy is stabilizing. On the downside, worries continue about a protracted economic recovery, and many global buyers and sellers are taking a wait-and-see approach to deal making.

Meanwhile, US metals companies continue to focus on their core businesses and creating the capital resources necessary to grow these businesses in emerging markets. However, the valuations attached to emerging market businesses are very high, resulting in pricing gaps and difficulties closing deals.

Still, metals companies are under stakeholder pressure to find growth opportunities, and most commentators predict that the Western economies will be a sluggish for the next several years. So investors may look to Brazil, India, China, and to a lesser extent Russia—the BRIC countries—where GDP growth projections for 2011 range from 4% to over 9%[1]. In addition to BRIC, companies are looking at the VISTA countries, Vietnam, Indonesia, South Africa, Turkey, and Argentina, as well as Mexico, which is becoming more attractive.

Despite cash-rich balance sheets and a willingness to invest in an emerging market, many metals corporations are still finding it difficult to expand their presence into these markets because of not only valuation, but also lack of shareholder visibility and financial transparency in these countries. For India in particular, those looking to invest are finding that the complexities of dealing with state and local governments slow down projects.

Although many companies have realized benefits and rich rewards from foreign investment, it has come with risks.

And a changing deal environment adds to the challenges.

What's driving changes in the deal environment?

Metals companies spent much of the past two years focused on preserving liquidity, cutting costs, and improving efficiency. As a result, these companies have excess cash on their balance sheets. Those willing to hurdle the obstacles that foreign investment presents will look either to emerging markets or backward integration for acquisitions that are expected to strengthen their core businesses. An analysis of the ten largest global metals and mining companies shows that the average amount of cash on their balance sheets in the most recent quarter is $1.42 billion, up from an average of $718 million five years ago.

Although it appears metals companies have ample cash on hand to finance deals, price becomes an issue when growth rates are higher in the emerging market than in the buyer's home country. For risk-conscious US and European metals companies, it can be difficult to get comfortable with the premium attached to emerging market businesses, particularly if there is concern about a protracted economic recovery. Sentiment may serve to dampen M&A activity in the near term, despite what may still be considered attractive valuations.

[1] Source: IMF, PwC forecasts

However, some metals CEOs are willing to take some risk and are beginning to reshape their strategies. The result is they are taking a course to growth that is focused on owning their source of raw materials.

Meanwhile, metals companies in emerging markets continue to seek low-growth assets in the United States and Canada. For some of these companies, skepticism about the discount amount on the asset can derail the deal as they wait to see how the US and European economies rebound over the next two quarters before investing. Others are buying foreign commodities producers to secure supplies of raw materials such as coal and iron ore to meet their countries' ambitious growth plans.

Metals companies that have already made a significant investment in emerging economies over the past 10 to 20 years are putting plans in place to improve operations and expand their presence to meet booming local demand. For example, one global metals company has set aside $3 billion for capital expenditures to purchase raw material assets in emerging markets, and another has $1 billion for capacity expansion in Brazil and land purchases in India.

Finally, capital markets are more liquid, making deal financing—in the event it's needed—more accessible than it was a year ago. Financial buyers, such as private equity houses, continue to operate in the deal market but at subdued levels, making increased corporate buyer activity more likely.

Managing a changed deal environment

Because of the increased uncertainty, companies are structuring deals in new ways and handling them differently. Specifically, many are avoiding large, staged auctions, except in cases that involve a sizable, high-profile asset.

The trend today is toward one-to-one negotiations in off-market deals, where the buyer proactively identifies and approaches the target. This approach allows for confidential discussions away from media scrutiny. In this way, corporations looking to divest themselves of noncore businesses can position them for a sale by identifying and briefing the potential A-list buyers.

In general, metals companies have become more cautious and diligent about what they are buying. They no longer favor diversification as a global M&A theme. Instead, metals companies are looking to grow organically in emerging markets. Through capital expenditures, they are increasing productivity and M&A activity to achieve equal footing on raw materials sourcing.

More than ever, deals today must fit strategically and commercially with existing operations and drive synergistic growth.

Perspective:
Thoughts on deal activity in 2010

We are pleased to report that the pace of deal activity continues to improve as measured by both the number and value of announcements. This observation holds true even after an adjustment for the $39.8 billion hostile bid by BHP Billiton for Potash of Saskatchewan. We included this in our analysis, even though it's not a metals target, because of its strategic significance to this large mining conglomerate.

The recovery also continues in the mega deals market with four announcements this quarter, compared with five in all of 2009. These mega deals are also representative of broader trends in the overall M&A market. Notwithstanding, the disconnect between buyer and seller valuation expectations remains apparent. Demonstrating this disconnect are the BHP-Potash deal, in which Potash rejected BHP's initial offer, and the Vale-Paranapanema deal, in which investors rejected Vale's sweetened takeover offer. Similarly, the JFE Steel-JSW Steel transaction is a good example of how acquirers in advanced economies are attempting to improve their prospects by increasing exposure to the higher-growth emerging and developing economies.

In previous quarters, we emphasized our expectation that steel and iron ore targets would contribute substantially to overall deal totals. This held true after we excluded the large potash deal this past quarter. We continue to believe that targets in this segment will continue driving overall activity through backward integration into iron ore as well as consolidation of the relatively fragmented steel sector. We also continue to believe that strategic investors will drive most sector M&A activity, a trend which held during the third quarter.

We remain optimistic that M&A totals will improve despite the risk of a double-dip, or W-shaped, recovery. Our baseline expectation is that larger deals will become the norm as the environment grows more conducive to financing both through internal sources, in the form of strong cash positions, and external sources, as indicated by improved access to capital markets. Strategic acquirers are likely to initiate these larger agreements as they reenter the deal market to capitalize on growth opportunities or downstream integration. Accordingly, we remain optimistic about the metals M&A environment as we enter the final quarter of 2010.

Commentary

Quarterly metals deal activity
Measured by number and value of deals worth $50 million or more

	2007	2008				2009				2010		
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Number of deals	42	38	44	34	26	18	17	23	35	23	22	31
Total deal value ($ bil)	24.1	28.3	18.2	21.9	16.0	11.8	63.1	4.7	5.7	6.3	17.3	49.8
Average deal value ($ bil)	0.6	0.7	0.4	0.6	0.6	0.7	3.7	0.2	0.2	0.3	0.8	1.6

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

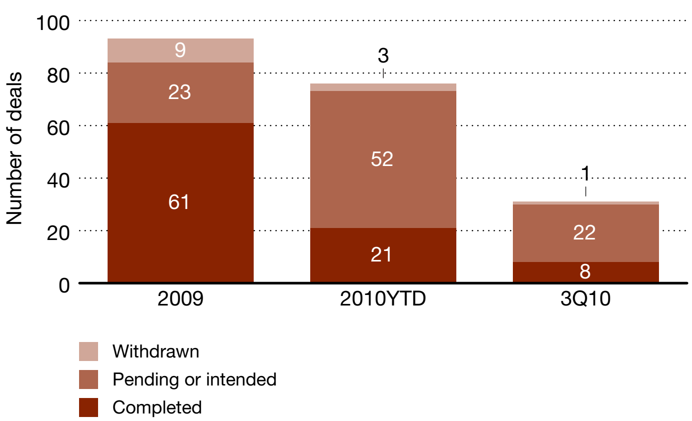
Evidence of recovery seen in values and deal volume

The pace of deal announcements for metals targets in the third quarter of 2010 picked up considerably when compared to 2009 and the first half 2010. In fact, the number of deals announced during the quarter exceeded the totals since the fourth quarter of 2009, and the value of deals was the most since second-quarter 2009.

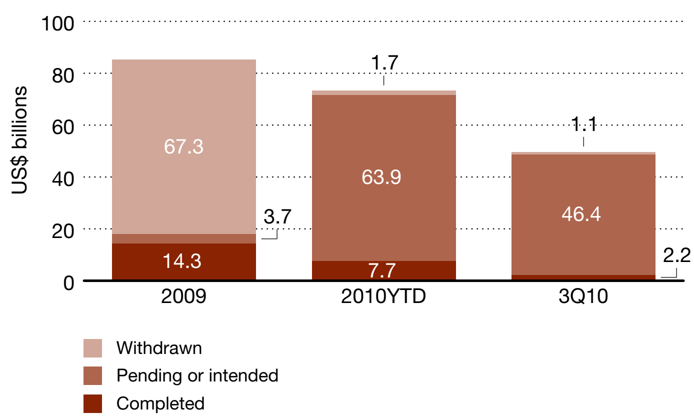
A major driver of the high deal value announced for the third quarter is BHP Billiton's $39.8 billion hostile bid for Potash Corp. of Saskatchewan. Although the target in this deal is not a metals company, we have included it in the quarterly analysis because it informs of a significant M&A strategy pursued by a large metals and mining acquirer.

However, even with an adjustment for the impact of this deal on the quarter, the value of announcements remains robust in comparison with most recent periods. This confirms an expectation shared in previous editions of *Forging ahead* that the deal environment would demonstrate recovery, with companies looking to acquisitions to boost growth as confidence in the economic recovery takes hold.

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



Deal activity by total deal value
Measured by announced deals worth $50 million or more



Increase in average deal value driven by more higher-value targets

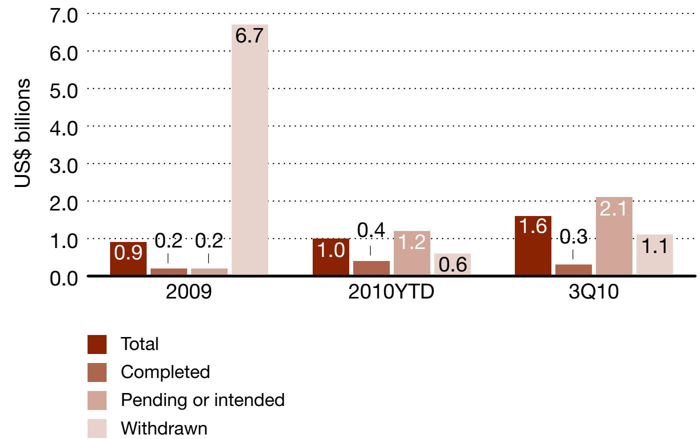
The average total value for deals worth $50 million or more during the third quarter exceeded average values in 2009 and the year-to-date period. However, when removing the impact of the $39.8 billion BHP-Potash announcement during this past quarter, as well as the $58 billion BHP-Rio Tinto Western Australia joint venture announced in 2009, we note that average deal values remained relatively unchanged over the past two years.

The pattern in average deal values presents an interesting contrast to the trend in the number of deals by range of deal value. As indicated in the nearby chart, the proportions of mega, large, and middle-market deals announced in the third quarter increased somewhat, while the proportions of small deals and those with undisclosed values declined.

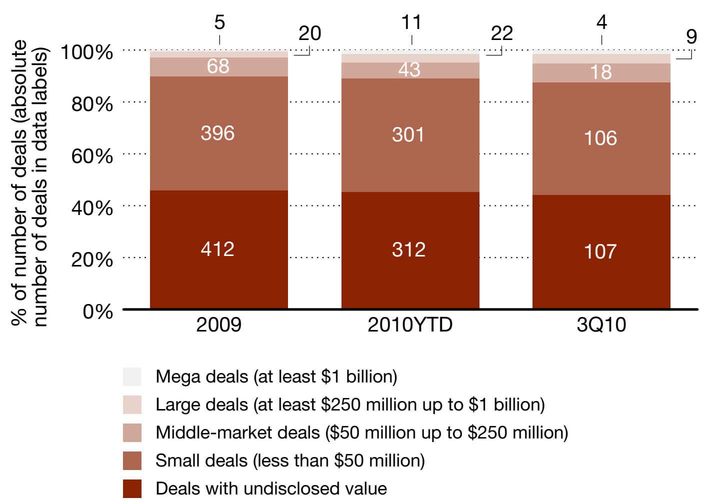
This trend of greater activity for larger targets has been supported by the general recovery in metal commodity prices over the past two years, which has given buyers the necessary financial wherewithal. The recuperation in market valuations alone has also served to increase the transaction value of companies in the sector and contributed to larger deal sizes.

The environment should remain conducive to larger deals in the future. Expectations are for a continued moderate economic recovery, giving acquirers the confidence to make more sizable M&A investments.

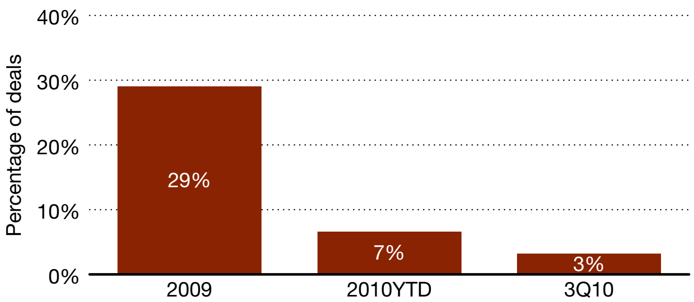
Deal activity by average deal value
Measured by announced deals worth $50 million or more



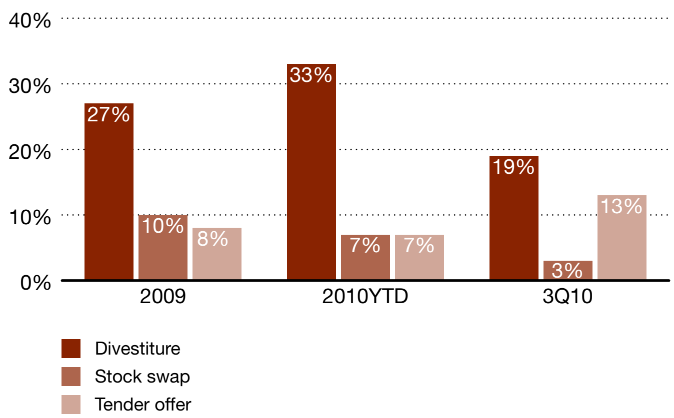
Deal activity by number and range of deal value
Measured by number of announced deals



Minority stake purchases
Measured by percent of deals worth $50 million or more resulting in less than 50% ownership after the transaction



Acquisition method
Measured by percent of deals worth $50 million or more



Majority (stakes) rule; fewer deals use stock swaps

Another sign of recovery in the M&A environment is the decline in minority stake purchases in favor of controlling-interest transactions, which can be interpreted as a signal of greater wherewithal to make deals.

The relative large prevalence of divestitures, which involve a change in control, also contributed to the decline in minority stake transactions. Many of these divestitures involved steel and iron ore targets, indicating that companies in this more fragmented part of the sector are still repositioning their assets for the economic upturn.

This past quarter offered several examples of announcements in which buyer and seller expectations differed significantly, including the BHP-Potash and Vale-Paranapanema deals. This continuing gap in valuation expectations has likely contributed to the increase in tender offers as more acquirers make their offers directly to stockholders because of difficulty reaching agreements with management.

The decline in the use of stock swaps, in which the acquiring company exchanges its stock for that of the target, is somewhat surprising given that the performance of global equity markets has generally remained strong. However, the improved financial position of many metals acquirers, which is allowing them to internally finance more transactions, is likely contributing to this trend. For example, two of the three largest deals announced in the third quarter were cash offers.

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$ bln	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
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$ bln	Category
Aug	Potash Corp of Saskatchewan Inc	Canada	BHP Billiton PLC	United Kingdom	Pending	39.76	Other
May	Vale SA-Aluminum Operations	Brazil	Norsk Hydro ASA	Norway	Pending	4.90	Other
Apr	BSG Resources Guinea Ltd	Guernsey	Vale SA	Brazil	Completed	2.50	Iron ore
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	Pending	1.93	Iron ore
Jun	Gerdau Ameristeel Corp	Canada	Gerdau Steel North America Inc	Canada	Completed	1.61	Steel
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
Mar	Itaminas Comercio de Minerios SA	Brazil	East China Mineral Exploration & Development Bureau	China	Pending	1.22	Iron ore
Jul	Paranapanema SA	Brazil	Vale SA	Brazil	Withdrawn	1.14	Other
Jul	JSW Steel Ltd	India	JFE Steel Corp	Japan	Completed	1.03	Steel

Variety is the spice of mega deals for 3rd quarter

Mega deal activity has continued at a robust pace, totaling 11 announcements this year compared with five in 2009. The mega deals in 2010 provide an interesting contrast to those announced last year. For example, the largest deals announced in each year both involved BHP Billiton. However, the largest deal in 2009 involved a $58 billion joint venture financed mainly through a contribution of iron ore assets, and the largest deal so far in 2010 was a $39.8 billion, all-cash takeover offer.

It is also noteworthy that outbound Chinese resource announcements were a more significant driver in 2009. The home nations and strategies of acquirers have been more varied in 2010. This variety is a positive sign of the health of the deal market, as it indicates a greater breadth of participation.

Mega deal activity was also robust in the third quarter compared with the rest of the year. Four of the mega deals announced in 2010 were announced during the third quarter. The largest deal of the quarter, and 2010 so far, was BHP Billiton's aforementioned $39.8 billion hostile offer for Potash Corp. The rationale for this deal is to diversify BHP by moving more into fertilizers, with potash considered to be attractive because of its limited global supply. In addition, the deal would help BHP increase its exposure to emerging markets, benefiting company growth through expected increases in food consumption in these nations.

There are still some obstacles to this deal. Potash has filed a lawsuit against BHP Billiton, alleging that the company made misleading statements to reduce Potash's stock price. In addition, numerous reports indicate that Sinochem is attempting to put together a consortium to make a rival bid, possibly because China would be concerned about consolidation in fertilizers given the nation's dependence on importing this resource. Finally, BHP has extended its offer into November to provide Canadian competition authorities with requested information. Despite these potential pitfalls, the most likely outcome appears to be that BHP will win shareholder approval and close this deal.

The second-largest deal of the quarter was the Lexshell 771 Investments stake in ArcelorMittal South Africa Operations. The target, formerly known as Iron and Steel Corporation (Iscor), primarily manufactures flat and long steel products. This agreement provides for local minority equity interest as required under South Africa's black economic empowerment plans.

The third-largest deal of the quarter was Vale's offer for Paranapanema, withdrawn after it could not gain a majority stake via auction. This transaction would have given the acquirer smelting facilities in Brazil as well as an approximate 34% share in the Brazilian market for processed copper products, making Vale a stronger copper competitor to both Xstrata Plc and Anglo American Plc. This offer can be considered a signal of the lingering disconnect between buyer and seller valuation expectations in the M&A market. In this case, Paranapanema stockholders did not accept the tender offer even though Vale increased its offer multiple times. Paranapanema's stock subsequently fell when the deal did not go through.

The other mega deal announcement of the quarter was JFE Steel's 15% stake in JSW Steel, which follows a strategic collaboration agreement signed by the two parties last year. This deal provides an interesting example of a developed market acquirer that is looking to source cheap slabs in a low cost country. JSW will receive both a capital infusion and production technology for high-grade automotive steel. Nippon Steel and Tata Steel are also engaged in similar agreements around the production of automotive steel in India.

Advanced economies return to forefront to seek metals transactions; China still active

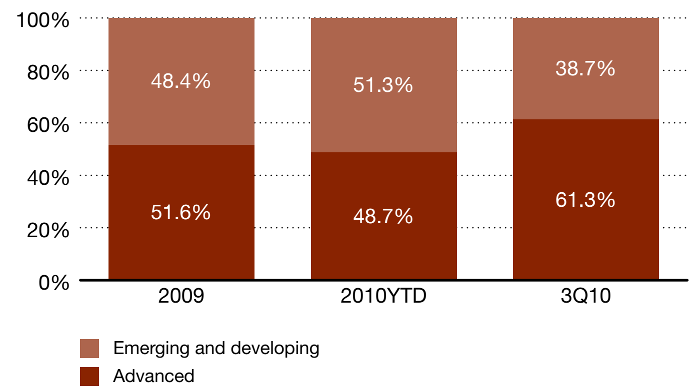
Acquirers from advanced economies increased their relative participation in the deal market during the third quarter. This is an optimistic sign because many of these companies had spent the downturn focused on internal initiatives, such as cost reduction and liquidity improvement. The involvement of these acquirers is essential to continuing the recovery in metals M&A activity.

Cross-border activity during the third quarter remained above that of 2009. This trend is related to the continuing shift in focus of companies that are now seeking to enter new markets—or increase their exposure to certain existing markets—to drive growth.

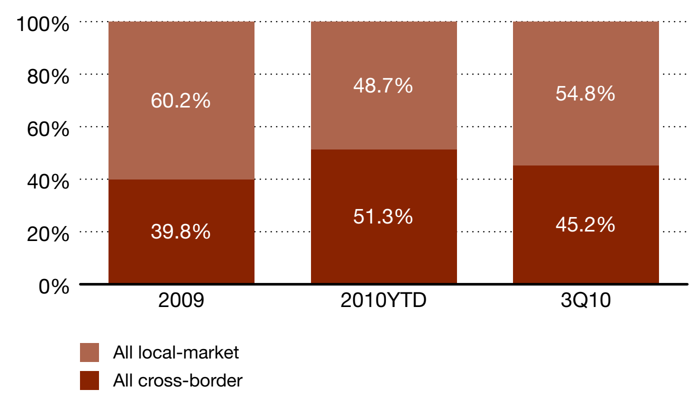
The regional distribution of deal activity by number of deals indicates fairly balanced participation in the deal market for the quarter. Activity by Asia and Oceania acquirers has been primarily driven by Chinese entities continuing their quest for overseas mining assets and consolidating the local steel industry, matching our previous expectations.

The regional distribution of deals as measured by value of deals is skewed by the BHP-Potash announcement; it served to increase the significance of the UK and Eurozone as an acquirer region as well as North America as a target region.

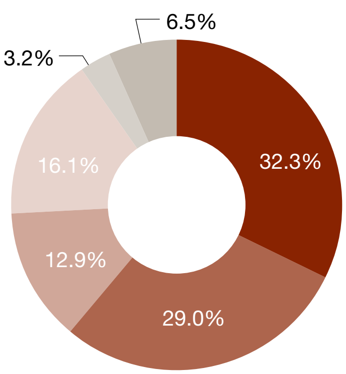
Acquirers from advanced vs. emerging and developing economies
Measured by number of deals worth $50 million or more



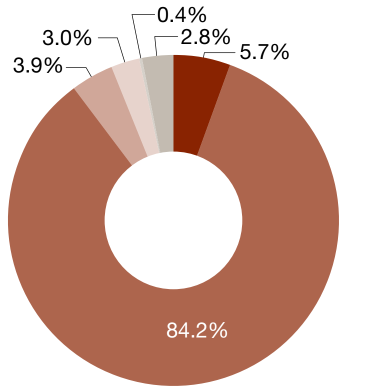
Cross-border vs. local-market deals
Measured by number of deals worth $50 million or more



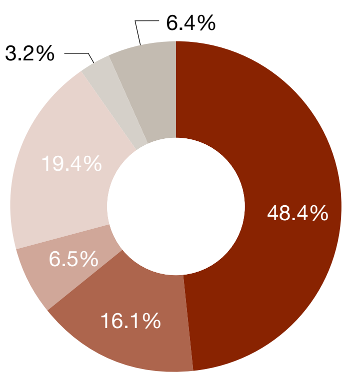
Regional distribution of deals by target region
Measured by number of deals worth $50 million or more (3Q10)



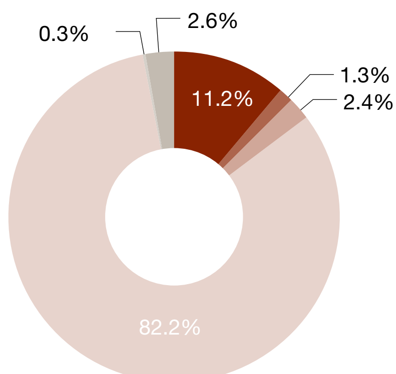
Regional distribution of deals by target region
Measured by value of deals worth $50 million or more (3Q10)



Regional distribution of deals by acquirer region
Measured by number of deals worth $50 million or more (3Q10)



Regional distribution of deals by acquirer region
Measured by value of deals worth $50 million or more (3Q10)



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

Targets center on steel and iron ore outside 'Other' products

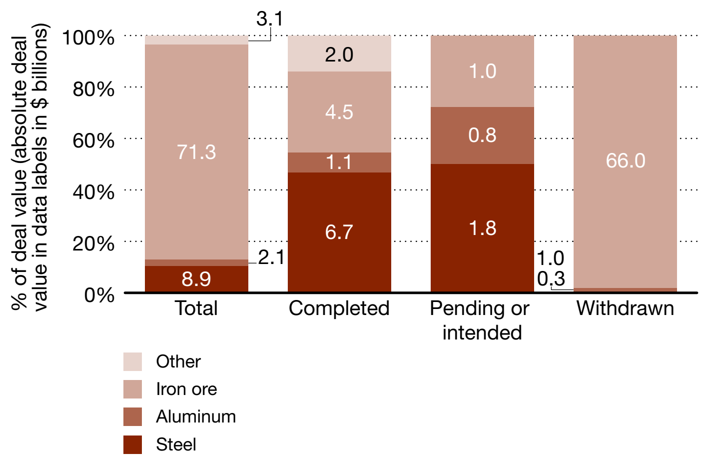
The Other category has dominated deal activity as measured by announced value in 2010; however, the BHP Billiton-Potash deal contributed almost all of this value. Absent this deal, activity has been more skewed toward steel and iron ore targets. This confirms an expectation shared in previous editions of *Forging ahead*.

The large amount of deal activity for iron ore targets during 2009 is due to the BHP-Rio Tinto iron ore joint venture, which was by far the largest deal last year.

Our expectation remains that categories outside aluminum are likely to drive future deal activity. Competitive pressures to consolidate the steel industry and the desire to mitigate raw material risks by acquiring iron ore mines fuel this prediction.

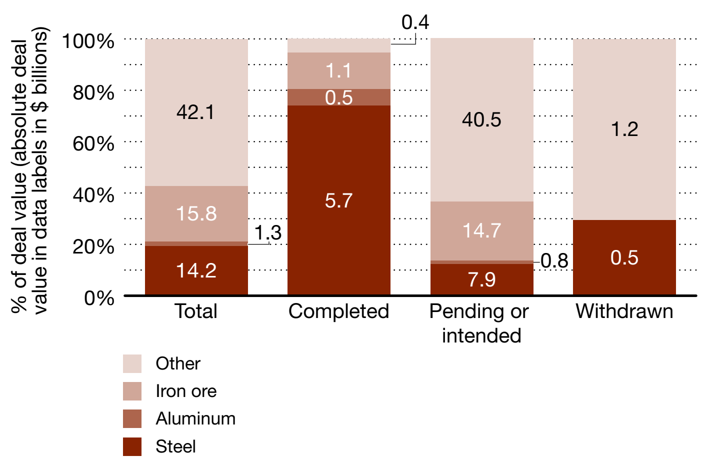
Deals by target metal category – 2009

Measured by value of deals worth $50 million or more

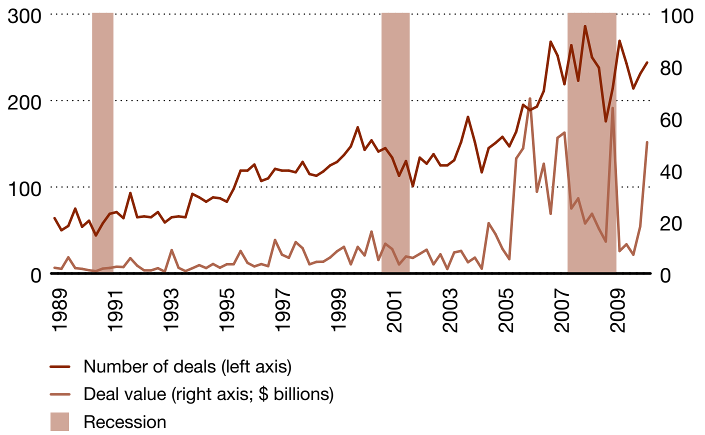


Deals by target metal category – 2010 YTD

Measured by value of deals worth $50 million or more



Historical metals deal activity and the business cycle
Measured by number and value of all metals deals (1989-3Q10; quarterly observations; shaded periods indicate US recessions)



Sustained recovery would bode well for deal values

The historical pattern of metals M&A activity after US recessions has been one of general improvement, with the recessions in this chart used as a proxy for global economic downturns.

Metals activity as measured by both the value and number of deals increased following the 1990-1991 recession. Activity as measured by the number of deals also increased in the quarters after the 2001 recession, though deal value remained muted for the next several years. The deal value outlier in the second quarter of 2009 results from the $58 billion Rio Tinto-BHP joint venture.

The BHP-Potash deal has driven most of the deal value increase since the most recent recession. Absent this announcement, deal values have not yet recovered to the levels seen in 2006 and 2007.

However, because the current M&A recovery is being driven by strategic acquirers from advanced economies reentering the deal market, higher metals prices could provide better currency for deals and contribute to greater deal value totals. The mitigating risk to this outlook is that a stalled economic recovery could push out a sustained improvement in metals M&A totals.

PwC spotlight

Results from PwC's 13th annual Global CEO Survey of 2010 show that chief executive officers from large companies were more likely than those from smaller companies to complete an acquisition or enter a strategic alliance. Leaders of large corporations also were planning deals and alliances in the coming year, according to the survey, released in January. Many of these planned transactions were expected to be cross-border deals because of the opportunities available in emerging markets.

More companies will take a cue from those venturing beyond their own national borders to find their ideal acquisition candidate as economic interdependencies grow. The PwC Corporate Finance network closes one deal a day on average around the globe in midmarket M&A transactions, and more than 40% are cross-border deals.

Savvy acquirers learn lessons from each successful cross-border transaction and use this knowledge to navigate effectively through the obstacles, such as questionable business practices, inconsistent bookkeeping methods, political instability, and poor environmental controls.

As you know, the challenges of cross-border deals differ depending on the business size and the country. But leading companies conduct deals using essentially the same processes: Establish the strategic purpose for each acquisition; manage and monitor employee engagement; address change-management issues; apply best practices for integration; and track progress toward achieving the desired culture in the new company.[2]

How PwC Corporate Finance[3] can help

PwC's award-winning practice in Corporate Finance (more commonly known as Investment Banking in the US) provides independent financial advice to corporations, institutional investors, and governments seeking to buy or sell businesses, raise new financing, or improve the efficiency of the funding on their balance sheets. Our focus is on building long-term client relationships, rather than closing a deal regardless of whether it is in the client's best interests. We are independent of the source of finance and so we differentiate ourselves through intellectual, not financial, capital.

These factors, combined with our deep knowledge of the industrial products sector and our international network, make great deals better.

Our global network of corporate finance advisors makes the difference for many reasons:

- We have a talented team of more than 1,000 corporate finance professionals operating in more than 60 countries. We can send our professionals whenever and wherever you are doing deals.
- We provided in-depth financial advice on more than 300 announced deals globally per year with an average deal size of $135 million in the 10 years from December 1999 to December 2009. More than 40% of these deals were cross-border.
- We have extensive industry capabilities, expertise in local markets, and a proven track record advising corporate clients as well as institutional investors.
- Thomson Reuters reported that PwC Corporate Finance completed the second-highest volume of deals globally in the midmarket for the 10 years through December 31, 2009.
- We can bring the strength of the PwC Corporate Finance network to bear by sourcing acquisition targets globally, including the BRIC countries and other emerging markets.

As experienced deal makers, we offer integrated solutions with full access to PwC's professionals in due diligence, tax, and post-deal activities. We provide the full range of deal support, from identification and strategic planning to post-merger integration.

[2] PwC Global Best Practices, "Analyze and capitalize on cross-border opportunities"

[3] Corporate Finance services in the US are performed by PricewaterhouseCoopers Corporate Finance LLC, a registered broker dealer. PricewaterhouseCoopers Corporate Finance LLC is owned by PricewaterhouseCoopers LLP, a member firm of the PricewaterhouseCoopers Network, and is a member of FINRA and SIPC.

Specialty case studies: Buying and selling global assets

Noncore disposal

Issue	A global metals company based in Europe made a strategic decision to sell one of its noncore business units located in the United States but needed help planning, executing, and finalizing the divestment to maximize proceeds. In particular, the client needed assistance finding an appropriate global buyer, determining valuation, anonymously soliciting interest from global buyers, and presenting the noncore business in the best light. Complicating the transaction, the financial records of the business to be divested were integrated into the financial records of the client's other operations and needed to be carved out.
Action	To help the client find the right buyer for its business unit, PwC's Corporate Finance practice conducted a global sales process and contacted more than 50 potential buyers in the United States, Canada, Europe, Brazil, South Africa, and Asia, including India, China, and Japan. PwC Corporate Finance assisted in understanding and positioning the business for sale, acting as the initial point of contact with the potential buyers, and assisting with the negotiations around price and the other major terms in the sale and purchase agreement. The sale process also included the negotiation of multiple ancillary supply, tolling, and transition service agreements. A PwC Transaction Services engagement team assisted and advised the client as they drafted separate and accurate financial records for the business unit being divested. These financial statements formed the basis from which potential buyers were then asked to submit offers for the business.
Impact	The Corporate Finance engagement team's sale process yielded nearly a dozen indicative offers and six final offers. Four were from the United States and Canada, four were from Asia, and three were from Europe. Most of the offers were from strategic buyers. The deal was closed with an Indian buyer for this US asset owned by a European client. The PwC sell-side diligence information withstood scrutiny from multiple buyers and the client was able to successfully achieve its divestiture objectives. The client sold the business to a buyer for a price within 3% of the top end of the PwC Corporate Finance team's preliminary valuation range.

Acquisition identification and advice

Issue	A US metals company wanted to enter a high-growth market as a way to meet stakeholder demands to accelerate growth. The client had its sights set on making an acquisition in China, but had limited knowledge of the country and how to find a suitable target. To move its plans for strategic growth forward, the client described its global acquisition criteria to PwC Corporate Finance in the United States.
Action	PwC Corporate Finance reached out to the global Corporate Finance network with the acquisition criteria. In response, PwC Singapore identified a potential acquisition target that was based in China and owned by a private equity house in Singapore. Because of an existing relationship between PwC Singapore and the private equity house, the Corporate Finance engagement team was able to introduce the US client to the target on an exclusive basis without the deal going to an auction. The firm's Transaction Services practice in both the United States and China also provided the due diligence services to the US client.
Impact	The US client that had limited exposure to or experience in the Asian market was given an opportunity to buy a business in China. The PwC Corporate Finance engagement team assisted in the negotiations, including pricing and structure, as well as the due diligence on the acquisition target. Because the deal was handled as a one-to-one, off-market transaction, the client acquired the Chinese business on an exclusive basis at an acceptable price.

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 over 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 a 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 the 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 over 1,000 professionals who serve the metals industry, our team is a 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.

Contacts

PwC Global Metals Services 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.

US Metals Industry Leader
Robert McCutcheon — +1.412.355.2935
robert.w.mccutcheon@us.pwc.com

US Metals Tax Leader
Mike Tomera — +1.412.355.6095
michael.tomera@us.pwc.com

US Metals Advisory Leader
Glen Goldbach — +1.412.355.7533
glen.goldbach@us.pwc.com

US Metals Transaction Services Director
Joaquin Oliveras — +1.646.471.0926
joaquin.oliveras@us.pwc.com

US Metals Client Service Advisor
Kristopher Hagedorn — +1.412.355.7504
kristopher.c.hagedorn@us.pwc.com

Global Metals Leader
Jim Forbes — +1.905.972.4105
jim.forbes@ca.pwc.com

European Metals Leader
Peter Albrecht — +49.0.201.438.1518
peter.albrecht@de.pwc.com

US Industrial Products Director
Neelam Sharma — +1.973.236.4963
neelam.sharma@us.pwc.com

US Industrial Products Sector Analyst
Tom Haas — +1.973.236.4302
thomas.a.haas@us.pwc.com

US Research Analyst
Michael Portnoy — +1.813.348.7805
michael.j.portnoy@us.pwc.com

PwC Global Transaction Services practice

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.

Global Transaction Services Leader
Colin McKay — +1.646.471.5200
colin.mckay@us.pwc.com

US Transaction Services Leader
John McCaffrey — +1.415.498.6150
john.p.mcaffrey@us.pwc.com

Europe Transaction Services Leader
Phillippe Degonzague — +33.01.5657.1293
phillippe.degonzague@fr.pwc.com

Asia-Pacific Transaction Services Leader
Todson Page — +81.03.6266.5767
todson.page@us.pwc.com

US Transaction Services, Assurance
Brian Vickrey — +1.312.298.2930
brian.vickrey@us.pwc.com

US Transaction Services, Tax
Michael Kliegman — +1.646.471.8213
michael.kliegman@us.pwc.com

US Transaction Services, Merger Integration
David Limberg — +1.216.875.3506
david.limberg@us.pwc.com

PwC Corporate Finance global network

For Corporate Finance services in the US please contact:

US Industrial Products Corporate Finance Leader
PricewaterhouseCoopers Corporate Finance LLC
Rakesh Kotecha — +1.312.298.2895
rakesh.r.kotecha@us.pwc.com

For Corporate Finance services outside the US please contact:

Global Corporate Finance Leader
Chris Hemmings — +44.20.780.45703
chris.hemmings@uk.pwc.com

Methodology

Forging ahead is an analysis of merger and acquisition activity in the global metals industry. 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.

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 September 30, 2010, 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 Northern 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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