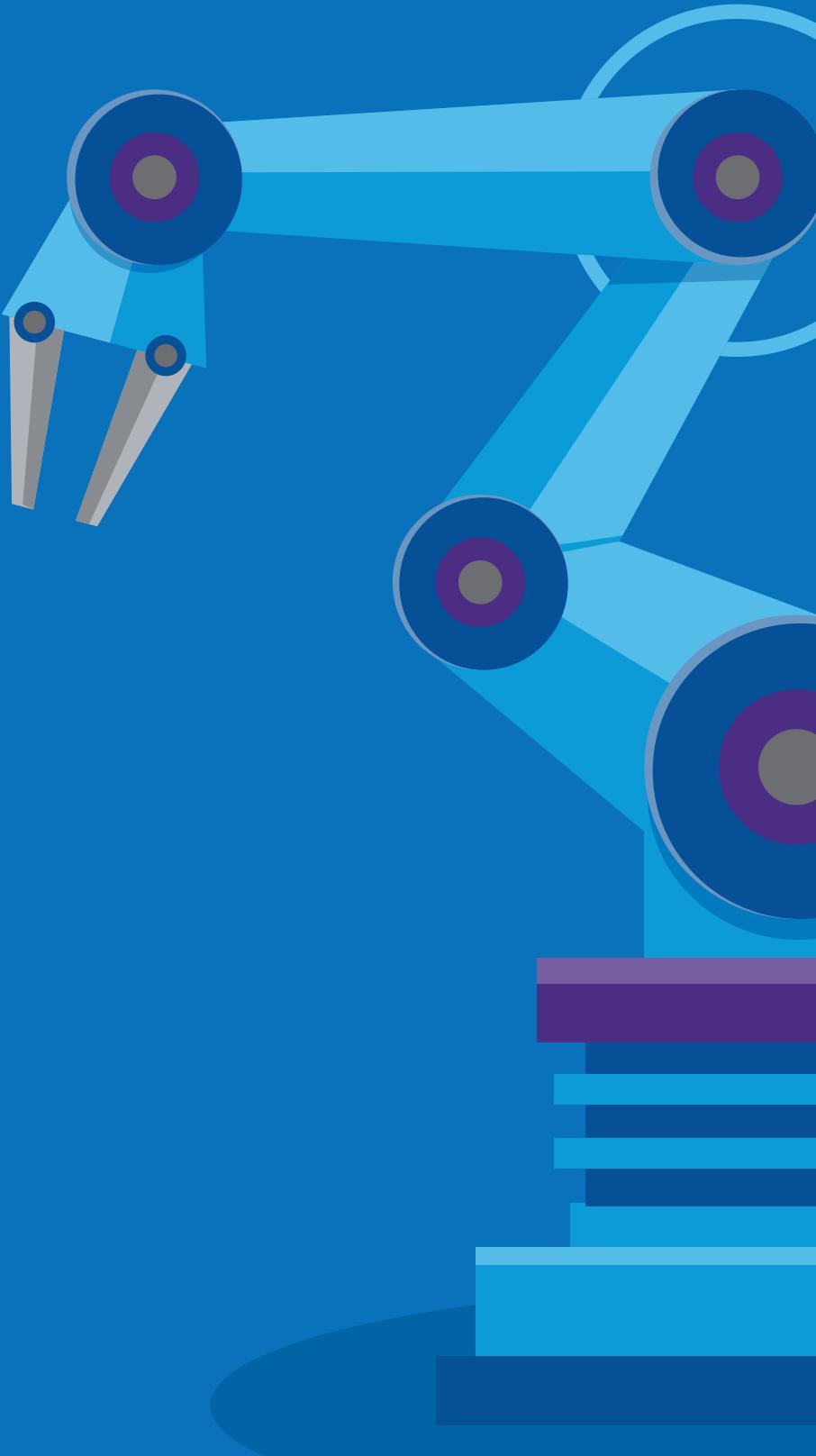


# M&A Predictor: Global Industrial Sector



**2018 Annual Report/Sector Report**

Includes 2018 Q1 Update  
May 2018

**KPMG International**  
Deal Advisory

---

[kpmg.com/predictor-industrial](http://kpmg.com/predictor-industrial)

# Industrial markets



**Danny Bosker**

*Partner, Deal Advisory*

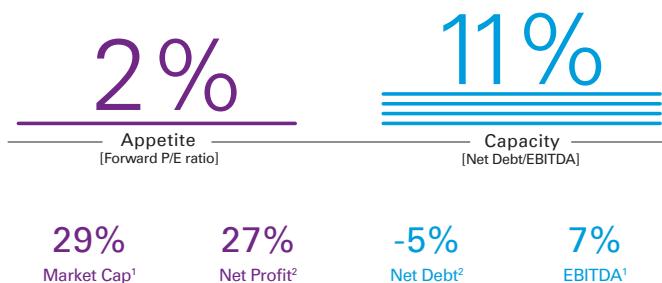
*Head of M&A, KPMG in the Netherlands*

Through his career of over 20 years, Danny has worked on a wide range of M&A transactions, including sales, acquisitions, divestments and public offers.



***"I'm very bullish about 2018 for several reasons, particularly the ongoing drive for both competitive innovation and global conservation among many industrial companies looking to transform business models and dramatically improve their competitiveness and sustainability."***

~ Danny Bosker, Head of M&A, KPMG in the Netherlands



The Industrial Markets sector posted another robust year of M&A activity, in line with our 2017 Predictor report, and global players are expected to remain in the deal-making 'fast lane' for 2018 as the race for technological innovation and business transformation continues.

"We do expect the Industrial Markets sector to exhibit a sustained healthy appetite for deals and plenty of significant activity this year. As anticipated and predicted, we saw 2017 continue the hot trend of 2016 dealings – and 2018 looks promising

for this trend to endure," says Danny Bosker, KPMG in the Netherlands.

His optimism exceeds what we are seeing for 2018 as reflected in the M&A Predictor data: the forward P/E ratio, our measure of corporate appetite for M&A, is expected to rise by 2 percent. The capacity to transact is also expected to increase, with net debt/EBITDA, our measure of capacity, showing an 11 percent improvement in 2018. Both these numbers are below the global average of 5 percent and 17 percent for predicted appetite and capacity respectively.

*Source: CapitalIQ and KPMG Analysis*

1. As at December 31, 2017 vs as at December 31, 2016 2. December 31, 2017 to December 31, 2018 vs December 31, 2016 to December 31, 2017

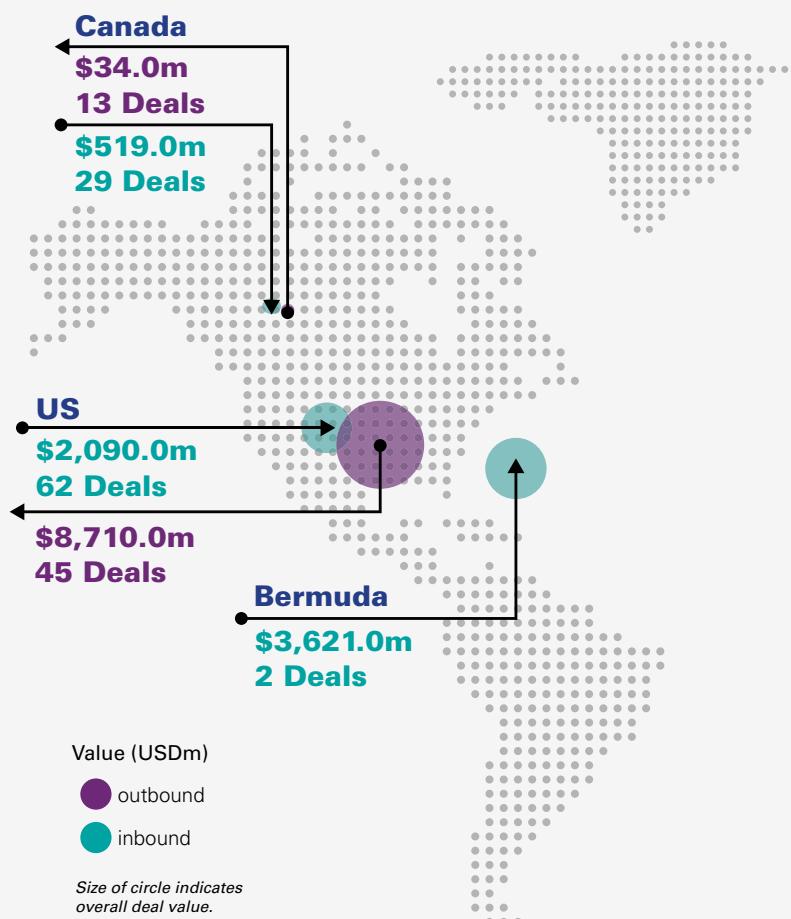
"I'm very bullish about 2018 for several reasons, particularly the ongoing drive for both competitive innovation and global conservation among many industrial companies looking to transform business models and dramatically improve their competitiveness and sustainability. The focus on technology and innovation will continue to drive M&A activity, including the hunt for new environmental technologies in heating, ventilation and insulation – anything to do with CO2 reduction and improved environmental impact," continues Danny.

Restructuring will also play a role in driving activity, he adds, particularly across an oil and gas market hard hit by crashing oil prices.

The current year to the end of Q1 2018 supports this more positive outlook, with deal value soaring 92 percent to US\$113 billion from US\$59 billion in Q1 2017. The number of deals in Q1 2018 was 17 percent lower at 946 versus Q1 2017.

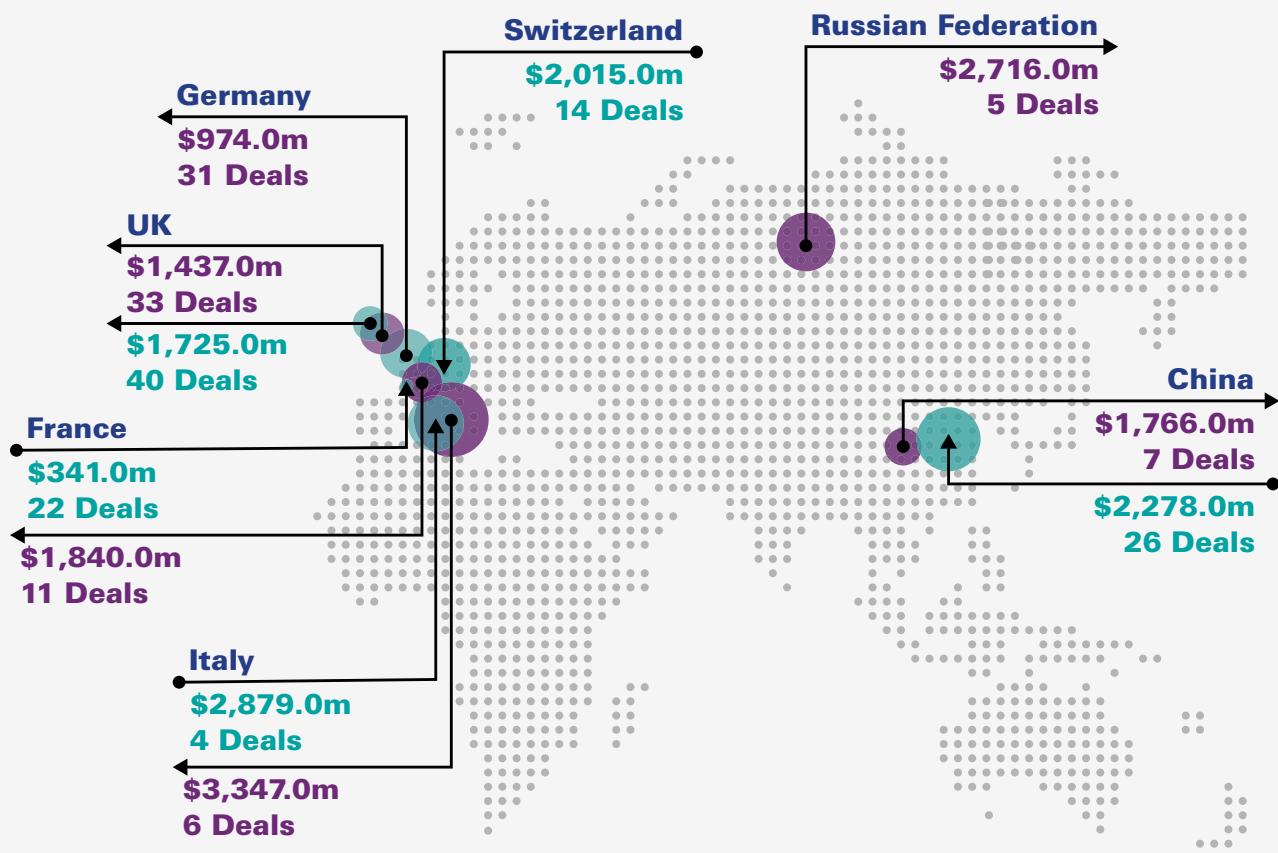
## Top Countries for Deals

LARGEST COUNTRIES OF ORIGIN		LARGEST DESTINATION COUNTRIES	
BY \$		BY \$	
<b>United States</b>	<b>\$8,710.0m</b>	<b>United States</b>	<b>\$20,648.0m</b>
Italy	\$3,347.0m	Bermuda	\$3,621.0m
Russian Federation	\$2716.0m	Italy	\$2,879.0m
France	\$1,840.0m	Switzerland	\$2,015.0m
China	\$1,766.0m	China	\$1,121.0m
BY #		BY #	
<b>United States</b>	<b>45</b>	<b>France</b>	<b>21</b>
United Kingdom	33	Germany	18
Germany	31	China	18
Canada	13	Japan	18
France	11	United States	17

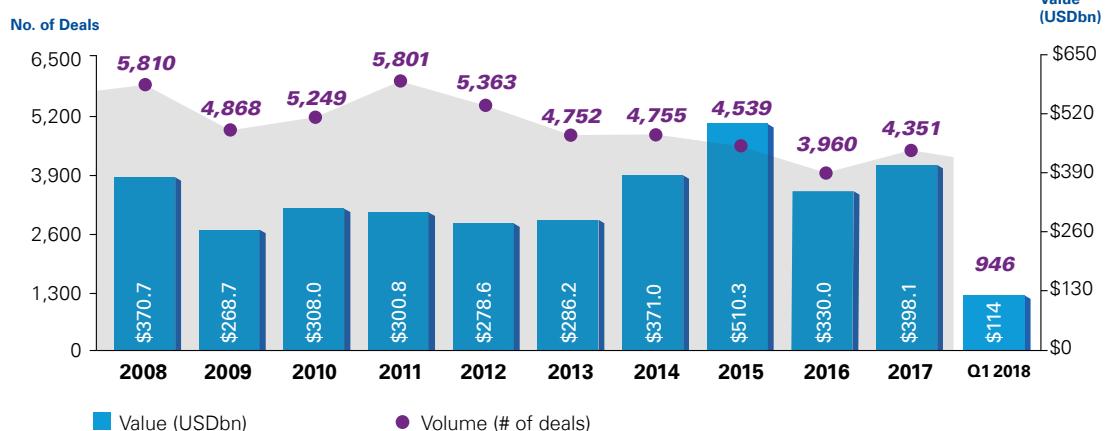


***"The focus on technology and innovation will continue to drive M&A activity, including the hunt for new environmental technologies in heating, ventilation and insulation — anything to do with CO2 reduction and improved environmental impact,"***

~ Danny Bosker, Head of M&A, KPMG in the Netherlands



## Ten Year Trend for Industrials



### Reviewing 2017

The sector generally met our expectations for a strong 2017 amid deal activity that included numerous cross-border and cross-sector deals. Total deal value rose to US\$398 billion in 2017 from US\$330 billion in 2016, while the number of 2017 deals rose to 4,351 from 3,960 in 2016. Average deal size also increased, to US\$92 million from US\$83 million.

Danny notes that deal interest we witnessed in 2017 should remain particularly strong among Asian players, especially Japanese firms, with numerous global companies scouting the European landscape for businesses that are a fit or that can quickly deliver key technologies in the race to innovate and drive competitive advantage and growth.

"Look for the percentage of cross-border deals to increase," Danny concludes. "The world of business continues to become much more global as technology and the Internet dramatically expand the landscape for attractive growth opportunities. The playing field just keeps growing. We also expect private equity to keep playing a significant role in 2018, as businesses pursue critical funding for rapid but efficient innovation and transformation."

# Top deals

	Target Name (Stake %) Target Country	Bidder Name Bidder Country	Value (US\$ million)
<b>1</b>	<b>Fibria Celulose SA (100%)</b> Brazil	<b>Suzano Papel e Celulose SA</b> Brazil	<b>\$14,505.0</b>
<b>2</b>	<b>Smurfit Kappa Group plc (100%)</b> Ireland	<b>International Paper Co</b> United States	<b>\$14,130.0</b>
<b>3</b>	<b>GKN plc (100%)</b> United Kingdom	<b>Melrose Industries plc</b> United Kingdom	<b>\$11,652.0</b>
<b>4</b>	<b>GKN plc (Driveline division) (100%)</b> United Kingdom	<b>Dana Inc</b> United States	<b>\$6,231.0</b>
<b>5</b>	<b>KapStone Paper &amp; Packaging Corp (100%)</b> United States	<b>WestRock Co</b> United States	<b>\$4,957.0</b>
<b>6</b>	<b>Beijing Electric Vehicle Co Ltd (100%)</b> China	<b>Chengdu Qianfeng Electronics Co Ltd</b> China	<b>\$4,505.0</b>
<b>7</b>	<b>Hochtief AG (Stk%)</b> Germany	<b>Atlantia SpA</b> Italy	<b>\$3,095.0</b>
<b>8</b>	<b>Italo-Nuovo Trasporto Viaggiatori SpA (100%)</b> Italy	<b>Global Infrastructure Management LLP</b> Italy	<b>\$3,007.0</b>
<b>9</b>	<b>Jingdong Logistics Group Corp (18.4%)</b> China	<b>"Hillhouse Capital Management Ltd Sequoia Capital China China Merchants Group Ltd Tencent Holdings Ltd China Life Insurance (Group) Co China Development Bank Capital Corp Ltd China Structural Reform Fund Co Ltd Industrial &amp; Commercial Bank of China - ICBC"</b> China	<b>\$2,500.0</b>
<b>10</b>	<b>Pro Mach Inc (100%)</b> United States	<b>Leonard Green &amp; Partners LP</b> United States	<b>\$2,200.0</b>

# How can KPMG help

At KPMG firms, we think like investors, looking at how opportunities to buy, sell, partner or fund a company can add and preserve value. Our teams of specialists combine a global mindset and local experience with deep sector knowledge and superior analytic tools to help you navigate a complex, fragmented process. KPMG professionals can help with business strategy, acquisition strategy, plans for divestments or for raising funds.

## Further reading

Please visit the Global Deal Institute to find the latest thought leadership around the complexity of today's deal environment, including:



### **M&A Predictor/2018 Annual Report with Q1 2018 update**

The full report contains a global overview and sector reviews for 4 other key global sectors. The online version also provides interactive charts for cross-regional and cross-sector deal tracking.



### **2018 Global Manufacturing Outlook, 8th edition**

The overall theme of this year's report is: Manufacturers transforming for a digitally connected future. Find out as manufacturers reflect on the opportunities and face the challenges of digital transformation journey.



### **Beyond the hype: Separating ambition from reality in i4.0**

KPMG International offers a realistic perspective on the current state of i4.0 adoption and readiness across the market. It is based on a series of in-depth benchmarking exercises with leading industrial manufacturers around the world. And it identifies how today's market leaders are taking advantage of comprehensive.

[kpmg.com/dealsinstitute](http://kpmg.com/dealsinstitute)

# Contacts

## **Leif Zierz**

*Global Head of Deal Advisory*  
*Managing Partner, KPMG in Germany*  
T: +49 69 9587 1559  
E: lzierz@kpmg.com

## **Phil Isom**

*Global Head of M&A, Deal Advisory*  
*Partner, KPMG in the US*  
T: +1 312 665 1911  
E: pisom@kpmg.com

## **Contributors for full M&A Predictor 2018 Annual Report**

### **Henry Berling**

*Head of US Energy Investment Banking*  
*Managing Director, KPMG Corporate*  
*Finance in the US*  
T: +1 804 780 1905  
E: hberling@kpmg.com

### **Danny Bosker**

*Head of M&A*  
*Partner, KPMG in the Netherlands*  
T: +31206 567767  
E: bosker.danny@kpmg.nl

### **John Paul (J.P.) Ditty**

*Global Technology Co-Lead*  
*Managing Director,*  
*KPMG Corporate Finance in the US*  
T: +1 408 367 3826  
E: jpditty@kpmg.com

### **Cyrus Lam**

*Global Technology Co-Lead*  
*Managing Director,*  
*KPMG Corporate Finance in the US*  
T: +1 212 872 5540  
E: clam3@kpmg.com

### **Silvano Lenoci**

*Deal Advisory*  
*Partner, KPMG in Italy*  
T: +3902676431  
E: slenoci@kpmg.it

### **Ram Menon**

*Global Insurance Deal Advisory Lead,*  
*Partner, KPMG in the US*  
T: +1 212 954 3448  
E: rammenon@kpmg.com

### **James Murray**

*Global Head of Consumer M&A*  
*Partner, KPMG in the UK*  
T: +44 20 76945290  
E: james.murray@kpmg.co.uk

### **Stuart Robertson**

*Global Financial Services Deal*  
*Advisory Lead*  
*Partner, KPMG in Switzerland*  
T: +41 58 249 53 94  
E: srobertson@kpmg.com

### **Manuel Santillana**

*Global ENR Deal Advisory Lead*  
*KPMG in Spain*  
T: +34914565935  
E: msantillana@kpmg.es



[kpmg.com/predictor](http://kpmg.com/predictor)

[kpmg.com/socialmedia](http://kpmg.com/socialmedia)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Designed by BLINK WORLDWIDE | MAY 2018