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## **News release**

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### **Exciting times ahead for booming global metals M&A, says PwC,**

- *PwC model forecasts an increase of **23.5%** in deal numbers and **15.7%** in deal value for 2012*
- *Deal value now 170% up on 2009 and 56% up on 2010 (US\$)*
- *Eurozone crisis could spur consolidation in 2012*
- *Battle to secure and own raw materials set to continue*

The global metals deals industry is soaring back to success with near historic value highs of US\$40.7bn in 2011, up 56% year on year (YOY), according to a new report published today by PwC.

In its annual in-depth metals M&A review and forecast, **Forging Ahead**, experts say the industry is rebounding strongly from its post credit-crunch low and is now averaging more than 500 metals deals a year. In 2011 there were 533 total deals with an aggregated value of US\$40.7bn, compared to 2010's 547 deals amassing US\$26.1bn. This is significantly above the pre-credit crunch highest volume of 411 in 2007. Looking back to 2009 this value reached a low of US\$15.1bn.

Jim Forbes, global metals leader, PwC, said:

“For the first time, our forecast for the next year is supported by our in-depth forecasting methodology which tested the historical relationship of metals M&A along with a variety of macroeconomic variables, to predict a jump of 23.5% in deal numbers and 15.7% in deal value for 2012. Overall, PwC forecasts moderate growth in the deals market but momentum will continue.”

Despite these strong building blocks, the report stresses that caution will be the ‘watchword’ for 2012 as all eyes will be on how the eurozone crisis plays out, the stability of the US economy, developments in Chinese real estate, which is responsible for almost half of deal activity there, and fuels its construction sector.

Raw materials, security of supply and the entire supply chain itself will continue to be a major M&A theme. With China reportedly producing the vast majority of rare earth metals, concerns have been raised over how these and other raw materials, are sourced, exported and controlled.

Concerns about security of supply are not restricted to metals raw materials however. Chinese and Indian steelmakers are facing shortages in coal for energy due to high prices and inefficiency in the domestic coal sector, leading them to consider international supply and M & A options.



Jim Forbes, global metals leader, PwC, said:

“Supply chain security will be a big theme for the industry. Metals companies will continue to seek greater certainty over raw materials and we are already seeing the emergence of manufacturer alliances which will allow companies to pool investment.”

Other key areas to lookout for will be the performance of the US economy, which if it weakens could dampen the outlook for China deals, the report says. China, by its sheer size and stature in the metals market will also undoubtedly remain one of the key global drivers in the metals deals sector as more than half of global iron ore trade is bought by the nation.

China's steel sector is primed to undergo a long awaited consolidation with India also expected to follow suit after a landmark deal last year.

#### **Deal Breakdowns:**

In **North America**, deals rose by almost a third and value quadrupled, giving it the largest share of worldwide metals deals value. There were 118 deals in 2011 at a value of US\$12.2bn compared to 90 deals in 2010, valued at US\$3.1bn.

There were 176 deals completed in **Europe** (including Russia). Deal value shot up 518% for western Europe and 125% for central and eastern Europe YOY, reaching US\$11.4bn, the lion's share of which came from four key deals. European metals firms continue to face higher raw materials and energy costs and EU steel production as a whole rose 2.8% YOY compared to 6.8% globally.

In **Asia**, steel production rose by 7.9% in 2011. There were 206 deals in total valued at US\$7.3bn compared to 239 deals in 2010 valued at US\$11.5bn. Undoubtedly, the Japanese earthquake and tsunami had a major impact.

Deals for **Central and South America** accounted for almost a quarter (24%), of total metals deals value in 2011. Brazil delivered the vast majority of 2011 deals in the region accounting for a total of US\$9.36bn worth of deals. Deal activity was dominated by raw materials investments mostly by buyers outside the region. In total, 2011 saw 33 deals concluded which was the same for 2010 but deal value stood at \$US9.8 in 2011.

**ENDS**

#### **Note to Editors**

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1. PwC's global Metals practice is a network of industry professionals serving metals clients in over 30 countries around the world. PwC serves global clients involved in ferrous and non-ferrous primary and secondary metals production around the world, bringing experience, international industry best practices and a wealth of specialised resources to help solve business issues.

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