Press Release

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**Eastern light continues to shine on metals deals, amidst falling international deals activity**

* Value of M&A deals in Asia Pacific has almost trebled in 2 years
* But, competitive energy prices will prompt geographical re-balancing
* Slow growth and continued worldwide production overcapacity sets the tone for 2014

**London, 21 Feb 2014**‑‑According to PwC’s new report *Metals Deals: Forging Ahead,* deal numbers fell 30% year on year in a deep double-dip to below the volume recorded in the post-credit crunch year of 2009.

Total deal value fell 24% year on year but the value double-dip was not as pronounced as the volume double-dip. The total 2013 metals deal value of US$34.8bn was much higher than the US$15.1bn low in 2009.

There is good news, however, for metals M&A activity in the Asia Pacific region, which now accounts for 61% of all deal value, compared to only 19% in 2011,

The majority of the region’s activity lies in China, where six out of the 10 Asia Pacific deals worth US$500m or more occurred. But, PwC says that the emphasis on location could shift again in 2014. The massive US$7.5bn merger of two state aluminium companies in the UAE to form Emirates Global Aluminium was by far the biggest deal of 2013, being almost double the value of the second largest deal.

Jim Forbes, global metals leader, PwC, commented:

“Despite the apparent strength of the east, there is definite potential for a geographical shift in M&A deals. Over the last two years, there has been a lot of activity in Asia Pacific. Now, momentum for growth is coming from the US, partially driven by cheaper energy, so we expect to see more North American deal flow.”

Japanese deal activity is being boosted by the continued post-earthquake reconstruction effort and increased demand for steel. Amidst the falling deal numbers of the double-dip, the only deal categories that bucked the downward trend were the total value of deals for aluminium (US$9.4bn) and ‘other metals’ (US$17.1bn). Across the globe, companies will be looking to secure natural resource assets.

Jim Forbes commented:

“The newly merged Emirates Global Aluminium business is a great example of the resurgence of aluminium, signing a US$5bn agreement to develop a bauxite mine and alumina refinery in Guinea.”

This year the Other Metals category was not dominated by industry driven iron ore deals. Financial investors picked up the slack showing interest in other metals including nickel and titanium. This may signal a slowdown in steel raw material deals.

Additionally, it is forecasted that there will be a continued incidence of mergers and joint ventures. The two largest metals deals of 2013 were joint ventures[[1]](#footnote-1), whilst the creation of Emirates Global Aluminium was the most significant merger. There will also be an increase in investor groups and investor companies on the buy-side of deals; indeed in some countries, Brazil for example, attracting private equity into the metals and mining sector is being actively encouraged.

As well as M&A activity, *Forging Ahead* forecasts that metals companies will be turning their focus to internal efficiencies, cost base reductions and innovation in 2014.Process innovation and control of energy and water consumption will be an important focus in the metals sector as industries across the board look to improve their sustainability record.

Jim Forbes added:

“In practice, an example of cost reduction might be more integrated steel producers turning their attention to the use of recycled scrap steel. We expect to see companies prioritising research and development linked to customer and market needs in order to position themselves away from being purely commodity-based businesses.”

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1. 1. ArcelorMittal’s (ACM) and Nippon Steel & Sumitomo Metal Corporation’s equal joint venture purchase of ThyssenKrupp’s Alabama steel plant.

2. Posco and China Steel Corporation’s joint venture 15% acquisition of ACM’s Canadian iron ore mines. [↑](#footnote-ref-1)