

ABB acquires Baldor Electric

Deal No 1601231122

Deal overview

Deal type Acquisition 100%
Deal status Completed
Deal value 4,200 mil USD

Target name	Country	Activity	BvD ID number
Baldor Electric Company	United States Of America	Electric motors, drives, and generators manufacturer and marketer	US430168840

Acquiror name	Country	Activity	BvD ID number
ABB Ltd	Switzerland	Automation technologies services Electricity distribution and control apparatus manufacturer Power transmission manufacturer	CH02030216152

Regulatory bodies Antitrust Division (United States), Committee on Foreign Investment in the United States (United States), Department of Justice (United States)

Deal structure & dates

Deal type	Acquisition 100%	Deal status	Completed
Deal sub-type	Recommended bid Public takeover	Rumour date	30/11/10
Deal financing	n.a.	Announced date	30/11/10
Deal method of payment	Cash Debt assumed (1,100 mil USD)	Completed date	27/01/11

Deal values

Deal value	4,200.00 mil USD	Native currency	USD
Deal equity value	3,100.00 mil USD		
Deal enterprise value	4,200.00 mil USD		
Deal modelled enterprise value	4,247.84 mil USD		
Deal total target value	4,200.00 mil USD		

Pre-deal target financials & multiples

Baldor Electric Company

Consolidated statements	02/01/10 12 months Unqual Local GAAP 10-K mil USD	02/10/10 3 months Qualif n.a. Local GAAP 10-Q mil USD	02/01/10 Deal value multiples	02/01/10 Equity value multiples	02/01/10 Enterprise value multiples
Pre-deal target operating revenue/turnover	1,524	454	2.76	2.03	2.76
Pre-deal target EBITDA	282	84	14.88	10.98	14.88
Pre-deal target EBIT	216	67	19.48	14.38	19.48
Pre-deal target profit before tax	101	39	41.54	30.66	41.54
Pre-deal target profit after tax	60	26	70.24	51.84	70.24
Pre-deal target total assets	2,652	2,689	1.58	1.17	1.58
Pre-deal target shareholders funds	924	987	4.55	3.36	4.55
Pre-deal target market capitalisation	1,286	-	3.27	2.41	3.27

Pre-deal target financials & multiples

Consolidated statements	02/01/10 Modelled enterprise value multiples	02/01/10 Total target value multiples
Pre-deal target operating revenue/turnover	2.79	2.76
Pre-deal target EBITDA	15.05	14.88
Pre-deal target EBIT	19.70	19.48
Pre-deal target profit before tax	42.01	41.54
Pre-deal target profit after tax	71.04	70.24
Pre-deal target total assets	1.60	1.58
Pre-deal target shareholders funds	4.60	4.55
Pre-deal target market capitalisation	3.30	3.27

Deal stock prices

Offer price	63.50 USD
Bid premium - Rumour Date	40.77 % (29/11/10)
Bid premium - Announced Date	40.77 % (29/11/10)

Target name:	Baldor Electric Company
Stock price 3 months prior to rumour	35.47 USD (30/08/10)
Stock price 3 months prior to announcement	35.47 USD (30/08/10)
Stock price prior to rumour	45.11 USD (29/11/10)
Stock price prior to announcement	45.11 USD (29/11/10)
Stock price after completion	n.a.
Stock price 1 week after completion	n.a.
Stock price 1 month after completion	n.a.

Acquiror name:	ABB Ltd
Stock price 3 months prior to rumour	19.21 USD (30/08/10)
Stock price 3 months prior to announcement	19.21 USD (30/08/10)
Stock price prior to rumour	19.46 USD (29/11/10)
Stock price prior to announcement	19.46 USD (29/11/10)
Stock price after completion	23.87 USD (28/01/11)
Stock price 1 week after completion	23.41 USD (03/02/11)
Stock price 1 month after completion	24.48 USD (28/02/11)

Deal comments & rationale

Comments On 30/11/10 it was announced that Ltd has entered into an agreement to acquire Baldor Electric Company, a Fort Smith, Arizona-based manufacturer of industrial electric motors, mechanical power transmission products, drives, and generators, in a recommended offer. ABB is offering USD 63.50 in cash per share for a total transaction value of USD 4.2 billion, including net debt to be assumed of USD 1.1 billion. The transaction is due to close during the first quarter of 2011, subject to shareholder and regulatory approvals. The offer represents a premium of 40.767 per cent over Baldor's closing share price of USD 45.11 on 29/11/10, the last day of trading prior to the announcement.

On 08/12/10 it was announced that ABB has commenced the offer for Baldor Electric.

On 21/12/10 ABB and Baldor Electric announced that the Antitrust Division of the United States Department of Justice has requested additional information and documentary material in regards to the takeover of Baldor Electric.

On 11/01/10 ABB announced that it has extended the closing of its offer for Baldor Electric from 10/01/11 to 19/01/11. Shares representing an approximate 86.38 per cent stake in Baldor Electric had been tendered as of 10/01/11.

On 20/01/11 ABB announced that it has extended the closing of its offer for Baldor Electric from 19/01/11 to

Deal comments & rationale

Comments 25/01/11. It was also announced that the transaction has been cleared by the Antitrust Division of the United States Department of Justice and is now unconditional.
 On 26/01/11 ABB and Baldor Electric announced that the tender offer has closed. Shares representing an approximate 89.38 per cent stake in Baldor Electric have been successfully tendered. A short-form merger will now take place to acquire the remaining shares in Baldor Electric.
 On 27/01/11 ABB Ltd announced that it has acquired Baldor Electric Company.

Rationale "Baldor is a great company with an extremely strong brand in the world's largest industrial market," said Mr Joe Hogan, ABB's CEO. "Baldor's product range and regional scope are highly complementary to ours and give both companies significant opportunities to deliver greater value to our customers."

Mr John McFarland, Chairman of the Board and CEO of Baldor, commented: "Our Board of Directors believes this transaction is in the best interest of our shareholders, our employees and our customers. It demonstrates the value our employees have created and the strength of our brand and products in the global motors industry. We are excited about the opportunity to join ABB's worldwide family as we have always respected ABB. We are very pleased that ABB will locate its motor and generator business headquarters for North America in Fort Smith and we are confident that the combined global platform will be well positioned to capitalize on meaningful growth opportunities in the future."

All advisors**ADVISORS TO TARGET**

Target name	Advisor name	Advisor role	Location	BvD ID number	Deal professionals
Baldor Electric Company	UBS	Financial Advisor	International	n.a.	n.a.
	Gibson Dunn & Crutcher LLP	Lawyer	n.a.	n.a.	n.a.
	Thompson Coburn LLP	Lawyer	n.a.	US02-035-4833	n.a.

ADVISORS TO ACQUIROR

Acquiror name	Advisor name	Advisor role	Location	BvD ID number	Deal professionals
ABB Ltd	Citigroup Inc.	Financial Advisor	International	US521568099	n.a.
	Kirkland & Ellis LLP	Lawyer	International	n.a.	n.a.
	MacKenzie Partners Inc.	Financial PR	n.a.	US78-717-1909	n.a.

Source information**Source data**

Electronic Publication, Sec; Business Wire; Company Press Release

Source documentation

Date	Document
30/11/10	Acquiror Press Release
30/11/10	Target Press Release
30/11/10	Acquiror Form 6-K
30/11/10	Target Form 8-K
08/12/10	Acquiror Form Form SC TO-T
08/12/10	Target Press Release - Updated
08/12/10	Acquiror Press Release - Updated
08/12/10	Target Form SC 14D9
21/12/10	Target Form SC TO-T
21/12/10	Acquiror Form SC TO-T
21/12/10	Target Press Release - Updated
21/12/10	Acquiror Press Release - Updated
11/01/11	Acquiror Press Release - Updated
11/01/11	Acquiror Form 6-K - Updated
11/01/11	Target Form SC TO-T - Updated
20/01/11	Target Form SC TO-T - Updated a
20/01/11	Target Form SC TO-T - Updated b
20/01/11	Acquiror Form 6-K - Updated
20/01/11	Joint Acquiror and Target Press Release - Updated
20/01/11	Joint Acquiror and Target Press Release - Updated
26/01/11	Joint Acquiror and Target Press Release - Updated
27/01/11	Target Press Release - Updated
28/01/11	Target Form 6-K

01/12/10 :ABB expands footprint in North America

Shares in Baldor Electric Company soared on news ABB of Switzerland is planning to acquire the US industrial electric motor manufacturer in a multi-billion-dollar cash deal designed to boost its presence in the North American market.

Under the agreement the suitor will shell out USD 63.50 per share, or USD 4.20 billion including USD 1.10 billion of net debt, in exchange for gaining access to the industrial customer base on the continent and bolstering its position as a leading motion product supplier.

This is a pretty cunning move considering it comes at a time when regulatory changes in the US and other parts of the world are likely to ramp up demand for energy efficient technology, and in so doing will enable ABB to “tap the huge potential in North America for rail and wind investments, both of which are expected to grow rapidly in coming years”.

In the statement yesterday, it was noted that the US market for high-efficiency motors could grow at a rate of between 10.0 per cent and 15.0 per cent next year as a result of these new legislations – which will become effective this December.

Considering the recommended offer is at a 40.8 per cent premium to Baldor’s closing price of USD 45.11 on 29th November it is little wonder that investors sent up the group’s stock by 40.4 per cent yesterday to finish at USD 63.31 – giving a market cap of USD 2.98 billion.

The Arkansas-based firm, which employs around 7,000 people, is involved in marketing, designing and manufacturing industrial electric motors, mechanical power transmission products, drives and generators.

It booked an unaudited operating profit of USD 183.78 million on net sales of USD 1.29 billion in the nine months ended 2nd October 2010 compared to USD 138.13 million on USD 1.17 billion over the same timeframe in 2009. Net profit was 11.8 per cent higher at USD 63.50 million for the period (2009: USD 56.81 million).

© Zephus Ltd