

ABB Acquires Baldor Electric For \$4.2 Billion In Cash

ZURICH, Switerland and FORT SMITH, Ark. — ABB, the leading power and automation technology group, and Baldor Electric Company, a North American leader in industrial motors, have agreed that ABB will acquire Baldor in an all-cash transaction valued at approximately \$4.2 billion, including \$1.1 billion of net debt.

Under the terms of the definitive agreement, which has been unanimously approved by both companies' Boards of Directors, ABB will commence a tender offer to purchase all of Baldor's outstanding shares for \$63.50 per share in cash. The transaction represents a 41 percent premium to Baldor's closing stock price on Nov. 29, 2010. The Board of Directors of Baldor will recommend that Baldor shareholders tender their shares in the tender offer. The deal is expected to close in the first quarter of 2011.

The transaction closes a gap in ABB's automation portfolio in North America by adding Baldor's strong NEMA motors product line and positions the company as a market leader for industrial motors, including high-efficiency motors. Baldor also adds a growing and profitable mechanical power transmission business to ABB's portfolio.

The transaction will substantially improve ABB's access to the industrial customer base in North America, opening opportunities for ABB's wider portfolio including energy efficient drives and complementary motors. This move comes at a time when regulatory changes in the U.S. and other parts of the world will accelerate demand for energy efficient industrial motion products. The acquisition will strengthen ABB's position as a leading supplier of industrial motion solutions, and will also 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.

"Baldor is a great company with an extremely strong brand in the world's largest industrial market," said 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."

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

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meaningful growth opportunities in the future.” John McFarland will stay with the combined business to support a successful integration.

“ABB is well known in the marketplace for premium, innovative and advanced products. We have respected them as both a market participant and a value-added supplier for many years,” said Ron Tucker, Baldor’s current President and COO, and CEO designate. Ron Tucker will run Baldor including the mechanical power transmission products business and ABB’s motor and generator business in North America after the transaction is completed.

Baldor is based in Fort Smith, Arkansas, and is a leading supplier in the large North American industrial motors industry. In addition, Baldor offers a broad range of mechanical power transmission products such as mounted bearings, enclosed gearing and couplings — used primarily in process industries — as well as drives and generators. The Baldor drives business will be combined with the larger ABB drives business to achieve even further penetration of this important product line.

Baldor employs approximately 7,000 people and reported an operating profit of \$184 million on revenue of \$1.29 billion in first nine months of 2010. This represents an increase of 30 percent in operating profit and 11% in revenue over the comparable period in 2009.

The US market for high-efficiency motors is expected to grow 10 to 15 percent in 2011 on the back of new regulations, effective in December this year. Similar regulations in Canada, Mexico and in the European Union are expected in 2011. “ABB and Baldor will be able to offer our North American and global customers an unparalleled range of high-efficiency industrial products and services to help them meet their new demands,” said Ulrich Spiesshofer, Executive Committee member responsible for ABB’s Discrete Automation and Motion division, into which Baldor’s business will be integrated alongside the existing Motors and Generators business. “We expect to achieve over \$200 million in annual synergies by 2015, consisting of more than \$100 million annual cost synergies and at least the same global revenue synergies. We estimate two-thirds of these synergies will be realized by 2013. We intend to build on Baldor’s excellent North American position to sell energy efficient drives, larger motors and generators. Together, we will accelerate the expansion of Baldor’s mechanical power transmission product portfolio into the global process automation market using ABB’s strong channels in this sector.”

“We are deeply impressed by the skill and passion of the Baldor team and their excellent customer relationships,” Spiesshofer said. “The strength of Baldor’s people and executive team, which will continue under the new ownership, will play a key role in our mutual success.” Under the terms of the merger agreement, the transaction is structured as a cash tender offer to be followed as soon as possible by a merger. The tender offer is expected to commence in December and is subject to customary terms and conditions, including the tender of at least two-thirds (2/3) of Baldor’s shares on a fully diluted basis, and regulatory clearance.

Citi served as financial advisor to ABB and UBS Investment Bank served as financial advisor to Baldor.

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