

Deal of the Week: Johnson Controls to Merge with Tyco for \$16.5B

Announcement Date	<ul style="list-style-type: none"> January 25, 2016 	
Acquirer	<ul style="list-style-type: none"> Johnson Controls Inc. (NYSE: JCI) 	
Acquirer Description	<ul style="list-style-type: none"> Worldwide diversified technology and industrial company Founded in 1885 and headquartered in Milwaukee, Wisconsin 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$22.8 billion EV: \$28.8 billion LTM Revenue: \$37.2 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$3.1 billion LTM EV / Revenue: 0.8x LTM EV / EBITDA: 9.3x
Target Company	<ul style="list-style-type: none"> Tyco International plc (NYSE: TYC) 	
Target Description	<ul style="list-style-type: none"> Provides security products and services, fire detection and suppression products and services, and life safety products worldwide Founded in 1960 and headquartered in Mahon, Ireland 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$14.2 billion EV: \$16.1 billion LTM Revenue: \$9.9 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$1.5 billion LTM EV / Revenue: 1.6x LTM EV / EBITDA: 10.5x
Acquirer Advisor	<ul style="list-style-type: none"> Centerview Partners and Barclays 	
Target Advisor	<ul style="list-style-type: none"> Lazard and Goldman Sachs 	
Price / Consideration	<ul style="list-style-type: none"> Price: \$16.5 billion 	<ul style="list-style-type: none"> Consideration: Cash and stock
Rationale	<ul style="list-style-type: none"> With the deal, Johnson Controls will relocate its headquarters from Milwaukee to Cork, Ireland, where Tyco is domiciled and where corporate taxes are lower than in the US; the inversion will enable the combined entity to save at least \$150 million in annual tax payments, the companies said in announcing the deal on Monday Johnson Controls paid a tax rate of about 19% in its last fiscal year, compared with a 14% rate for Tyco. The tax benefits from the deal come from “flexibility” and the ability to “accommodate changes in the future,” Robert Olson, the CFO at Tyco, said in a phone interview In addition to the tax benefits, the companies expect to create \$500 million in savings by eliminating duplications in the business and exploiting the scale with their buildings business 	
Deal Points	<ul style="list-style-type: none"> The deal represents a premium of just 11% from Tyco’s close on Friday Right before the merger, Tyco will conduct a reverse stock split, whereby Tyco shareholders will receive a ratio of 0.955 shares for each of their existing Tyco shares. Johnson Controls shareholders could choose to receive one share in the combined company for every share of Johnson Controls that they own or receive \$34.88 in cash 	
Of Note	<ul style="list-style-type: none"> Shareholders in the American company are required to own less than 60% of the joint entity to pass muster for an inversion. Johnson Controls will own 56% of the new company, while Tyco shareholders will get the remaining 44% The combination between Johnson Controls and Tyco is the 13th inversion deal to be announced in the last 16 months 	