

## Deal of the Week: China's Lenovo to Buy Google's Motorola Unit

Announcement Date	<ul style="list-style-type: none"> <li>January 29, 2014</li> </ul>	
Acquirer	<ul style="list-style-type: none"> <li>Lenovo Group Limited (HKSE)</li> </ul>	
Acquirer Description	<ul style="list-style-type: none"> <li>Engages in the manufacture and distribution of IT products, and provision of IT services worldwide</li> <li>Founded in 1981 and headquartered in Morrisville, North Carolina. Considered a Red Chip company due to its listing on the Hong Kong Stock Exchange</li> </ul>	
Acquirer Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$13.9 billion</li> <li>EV: \$11.3 billion</li> <li>LTM Revenue: \$35.6 billion</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: \$1.1 billion</li> <li>LTM EV / Revenue: 0.3x</li> <li>LTM EV / EBITDA: 10.8x</li> </ul>
Target Company	<ul style="list-style-type: none"> <li>Google Inc's Motorola handset division</li> </ul>	
Target Description	<ul style="list-style-type: none"> <li>Motorola Mobility, the Libertyville, IL-based cellphone-maker will be sold by parent company, Google, to Lenovo</li> </ul>	
Price / Consideration	<ul style="list-style-type: none"> <li>Price: \$2.9 billion</li> </ul>	<ul style="list-style-type: none"> <li>Consideration: Cash, Stock &amp; Debt</li> </ul>
Acquirer Advisors	<ul style="list-style-type: none"> <li>Credit Suisse Group</li> </ul>	
Target Advisors	<ul style="list-style-type: none"> <li>Lazard</li> </ul>	
Rationale	<ul style="list-style-type: none"> <li>Lenovo will get the Motorola brand and products, including the Moto X and Moto G, and it will gain access to the company's patents</li> <li>Lenovo, which ranks fifth globally in handset sales, sees the Motorola deal as a way to make quick headway into U.S. and Latin American markets</li> <li>"It makes strategic sense for both Google and Lenovo," said Andrew Costello, a principal at IBB Consulting. "It will give Lenovo a strong brand in the mobile space outside of China that they don't have today, and it gives them deep operator relationships with AT&amp;T and Verizon. And for Google, they're able to focus on the services side, which is what they're best at, and retain the patent holdings."</li> </ul>	
Deal Points	<ul style="list-style-type: none"> <li>Google announced that it would sell its Motorola handset division to the Chinese company Lenovo for \$2.91 billion, less than two years after paying \$12.5 billion to acquire it</li> <li>Motorola was Google's biggest acquisition by far and was hailed by the company as an example of the big bets Mr. Page was unafraid to make. Yet Motorola has continued to bleed money, troubling shareholders and stock analysts, and its new flagship phone, the Moto X, did not sell as well as expected</li> </ul>	
Of Note	<ul style="list-style-type: none"> <li>The Lenovo deal, if completed, would be the latest in a string of high-profile transactions in which Chinese firms buy global brands. In the U.S., Shuanghui International bought pork producer Smithfield Foods last year</li> </ul>	