

## **Deal of the Week: Sherwin-Williams to Buy Valspar for \$9.3B**

Announcement Date	<ul style="list-style-type: none"> <li>March 20, 2016</li> </ul>	
Acquirer	<ul style="list-style-type: none"> <li>The Sherwin-Williams Company (NYSE: SHW)</li> </ul>	
Acquirer Description	<ul style="list-style-type: none"> <li>Develops, manufactures, distributes, and sells paints, coatings, and related products to professional, industrial, commercial, and retail customers</li> <li>Founded in 1866 and headquartered in Cleveland, Ohio</li> </ul>	
Acquirer Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$26.1 billion</li> <li>EV: \$27.1 billion</li> <li>LTM Revenue: \$11.3 billion</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: \$1.8 billion</li> <li>LTM EV / Revenue: 2.4x</li> <li>LTM EV / EBITDA: 14.9x</li> </ul>
Target Company	<ul style="list-style-type: none"> <li>The Valspar Corporation (NYSE: VAL)</li> </ul>	
Target Description	<ul style="list-style-type: none"> <li>Develops, manufactures, and distributes a range of coatings, paints, and related products worldwide</li> <li>Founded in 1806 and headquartered in Minneapolis, Minnesota</li> </ul>	
Target Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$8.3 billion</li> <li>EV: \$10.0 billion</li> <li>LTM Revenue: \$4.3 billion</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: \$697.4 million</li> <li>LTM EV / Revenue: 2.4x</li> <li>LTM EV / EBITDA: 14.4x</li> </ul>
Acquirer Advisors	<ul style="list-style-type: none"> <li>Citigroup and JPMorgan Chase</li> </ul>	
Target Advisors	<ul style="list-style-type: none"> <li>Goldman Sachs and Bank of America Merrill Lynch</li> </ul>	
Price / Consideration	<ul style="list-style-type: none"> <li>Price: \$9.3 billion</li> </ul>	<ul style="list-style-type: none"> <li>Consideration: Cash</li> </ul>
Rationale	<ul style="list-style-type: none"> <li>Combining with Valspar would bolster Sherwin-Williams's presence outside the US and Canada and would add new product lines for Sherwin-Williams, such as coatings for food and industrial coils</li> <li>"We believe it expands and extends our capabilities into new geographies," John G. Morikis, Sherwin-Williams's chief executive, said of the deal in an interview on Sunday. "This is something we've looked for and believed would make a good fit for many years."</li> <li>Sherwin-Williams said it also expected the deal to eventually yield as much as \$320 million in annual cost savings within about four years</li> </ul>	
Deal Points	<ul style="list-style-type: none"> <li>Sherwin-Williams would pay \$113 a share in cash, up nearly 35% from Valspar's closing price on Friday</li> <li>Including the assumption of Valspar's debt, the enterprise value of the transaction would be about \$11.3 billion</li> <li>The companies agreed that if the government required divestitures of businesses totaling more than \$650 million in Valspar's 2015 revenues, the price of the deal would fall to \$105 a share in cash</li> <li>If more than \$1.5 billion in businesses would need to be sold, Sherwin-Williams would have the right to walk away</li> </ul>	
Of Note	<ul style="list-style-type: none"> <li>Sean Hennessy, CFO of Sherwin-Williams, said the paint maker expects to reduce its ratio of debt to EBITDA to below four in about two years</li> </ul>	