Thomas & Betts Deal to extend ABB's Reach into Data Centers

ABB's proposed acquisition of Thomas & Betts Corporation will help continue its expansion into the data center power and cooling industry, a market worth more than $15 billion according to the analyst firm IMS Research [1]. The announcement comes on the heels of ABB's tie-up with Newave S.A., a European provider of uninterruptible power supplies (UPS).

Data center products are a small, but important, portion of Thomas & Betts' total electrical business. Jason dePreaux, a research manager for IMS Research explains, "Thomas & Betts owns multiple brands that play in the UPS, power distribution, and data center service areas. These offerings will extend ABB's reach further into data centers, a market of considerable importance for other heavyweights like Schneider, Emerson, Eaton and GE."

The deal values Thomas & Betts at nearly 10 times its 2011 earnings. Other high profile acquisitions in the area have assigned even higher worth to companies. Emerson outbid ABB for Chloride Group in 2011, when it paid $1.5 billion; over 20 times Chloride's earnings.

dePreaux believes acquisitions like this are common to this industry because of its growth potential and the difficulty for new companies to break into this market. "While the amount of data created and shared worldwide is expanding at a break-neck pace, the evolution of power and cooling infrastructure to support this 'digital universe' is more measured. Data center facility managers tend to be conservative and risk-adverse; brand recognition is critical. Also, local supplier relationships are important owing to the levels of customization required. This creates a significant barrier for new entrants to the power and cooling market and makes acquisitions the preferred route to get into the game. The data-center industry has been completely re-shaped by acquisitions over the past 5-10 years, which have yet show any signs of slowing down, says dePreaux."

According to dePreaux, "ABB buying T&B was not primarily motivated by the data center aspect; but it must have sweetened the deal."

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[1] http://www.imsresearch.com/