

M&A monitor

State of the market Q3 2017



Sector	\$bn	%
1 Consumer and healthcare	80	11.99
2 Energy and natural resources	102	15.16
3 Financial institutions	74	11.06
4 General industries	126	18.89
5 Infrastructure and transport	83	12.34
6 Real estate	76	11.40
7 Telecoms, media and technology	128	19.16
Total	670	

Over the quarter, global deal volumes and values have seen a modest decline – activity is down dramatically in Europe and up slightly in Asia. In addition to state restrictions at home, Chinese outbound activity is attracting attention in the US and Europe. TMT deals comprised over 19 per cent of Q3 values, overtaking consumer and healthcare. Activity in the energy sector is up, driven partly by PE.

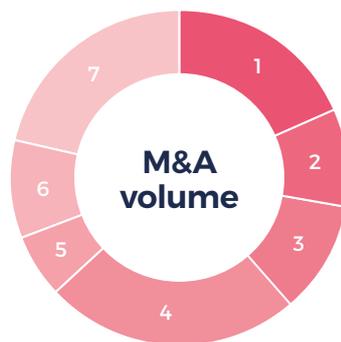
Spotlight on Chinese acquisitions

In addition to the pressures on certain outbound M&A activities from within Beijing, Chinese deal-making continues to attract political attention on both sides of the Atlantic. President Trump has become only the third US president (after President George HW Bush and President Obama) to block an inbound deal referred by the Committee on Foreign Investment in the United States (CFIUS). Canyon Bridge – a China-backed technology fund – had already withdrawn and refiled to CFIUS its bid for Lattice Semiconductor three times; rather than launch a fourth it chose to try to persuade the president by pledging to double Lattice’s US workforce. The fact the deal was rejected shows national security is still the overriding consideration for CFIUS and for President Trump’s administration (for a more detailed look at the implications of the Lattice decision read our client briefing [here](#)).

Meanwhile Jean-Claude Juncker has unveiled plans that would reinforce the European Commission’s role and boost the use of EU member states’ powers to screen foreign acquisitions. The proposed regulation would not give the EU blocking powers, but would enable the European Commission to scrutinise inbound deals and would clarify how EU member states can screen bids within the boundaries of EU law. The regulation will not be implemented for at least a year but will now move to the European Parliament and Council for debate, meaning the issue will stay in the spotlight.

Super-size PE – firms compete for bigger deals

Private equity remains a major driver of global M&A, but closer scrutiny of the numbers reveals that PE deals are also getting bigger. The average value of PE transactions between 2015 and today is almost 12 per cent higher than between 2012 and 2014. Debt continues to be relatively cheap and readily available and funds are flush with cash on the back of recent record-breaking fund raisings. As a result PE firms are chasing bigger targets and taking advantage of the synergies in managing fewer assets to exit. This dynamic is also resulting in more consortium acquisitions – not only because of the efficiencies involved but also to prevent funds becoming overexposed to a small concentration of investments. And the trend for bigger deals is itself driving activity – firms are eating through their funds more quickly, bringing them back to the market for capital more regularly and creating further pressure to buy.



Sector	Vol	%
1 Consumer and healthcare	1,621	18.52
2 Energy and natural resources	825	9.42
3 Financial institutions	944	10.78
4 General industries	2,145	24.50
5 Infrastructure and transport	529	6.04
6 Real estate	838	9.57
7 Telecoms, media and technology	1,853	21.17
Total	8,755	

Oil and gas deals continue to flow

One sector that is firmly in investors’ sights is oil and gas. Figures from Mergermarket show private equity firms have invested \$41.9bn in the sector this year alone, which represents 15.5 per cent of total oil and gas deal activity (both 10-year highs). Year-to-date M&A stands at \$270bn, 40 per cent up on the same period last year. While current oil prices of around \$50 a barrel are nowhere near 2008’s \$147 peak, they have staged an impressive recovery from the recent lows of around \$30 in January 2016. Oil producers have streamlined their operations to the point where they are able to create value from deals in a \$50 environment that were previously unviable. US shale’s flexible capacity continues against a backdrop of OPEC powers struggling to co-ordinate supply control, and reduced price volatility has brought sellers’ and buyers’ expectations closer together. This, combined with techniques to bridge value gaps, has made deals easier to do. Regulatory pressure is driving some majors into renewables, with private investors increasingly filling the vacuum (for example the acquisition by Neptune – a fund platform backed by CVC and Carlyle – of Engie’s upstream assets). Elsewhere the ‘drive to gas’ for environmental reasons is creating further opportunities. We expect the market to stay strong; private investors are increasingly recognising opportunities, and established energy players, who cut their investment in exploration and development when prices fell, are now turning to M&A to replace reserves and support dividends.

Global M&A – value and volume

(Company nationality is determined by HQ location.)

Global

M&A value
\$670bn
M&A deal volume
8,755

Top 3 deals this quarter

- 1 Rockwell Collins/
United Technologies (ITG) **\$30.2bn**
- 2 Energy Future Holdings/
Sempra Energy (ENR) **\$18.8bn**
- 3 Toshiba Memory/
KK Pangea (Bain Capital) (GIG) **\$17.9bn**

Inbound: most targeted countries

- USA
2,476 deals ◀ **\$305bn**
- China
1,271 deals ◀ **\$104bn**
- Japan
463 deals ◀ **\$28bn**

Outbound: most acquisitive countries

- USA
2,444 deals ▶ **\$296bn**
- China
1,244 deals ▶ **\$133bn**
- Japan
522 deals ▶ **\$40bn**

USA

M&A value
\$305bn
M&A deal volume
2,476

Top 3 deals this quarter*

- 1 Avista/
Hydro One (ENR) **\$5.2bn**
- 2 Ash Grove Cement/
CRH (GIG) **\$3.5bn**
- 3 NxStage Medical/
Fresenius Medical Care (CHG) **\$2bn**

Inbound:* countries investing into US companies

- Canada
88 deals ◀ **\$9bn**
- UK
52 deals ◀ **\$7bn**
- Japan
23 deals ◀ **\$6bn**

Outbound:* countries US companies are investing into

- UK
75 deals ▶ **\$13bn**
- Canada
53 deals ▶ **\$3bn**
- Hong Kong
3 deals ▶ **\$2bn**

Europe

M&A value
\$100bn
M&A deal volume
2,368

Top 3 deals this quarter

- 1 Worldpay Group/
Vantiv (TMT) **\$11bn**
- 2 Maersk Olie og Gas/
Total (ENR) **\$7.3bn**
- 3 ista Luxemburg/
Lamarillo (GIG) **\$6.7bn**

Inbound: countries investing into European companies

- USA
200 deals ◀ **\$19bn**
- UK
464 deals ◀ **\$15bn**
- France
276 deals ◀ **\$12bn**

Outbound: countries European companies are investing into

- USA
131 deals ▶ **\$16bn**
- Germany
214 deals ▶ **\$12bn**
- UK
420 deals ▶ **\$10bn**

Asia Pacific

M&A value
\$223bn
M&A deal volume
3,097

Top 3 deals this quarter

- 1 Toshiba Memory/
KK Pangea (Bain Capital) (GIG) **\$17.9bn**
- 2 Global Logistic Properties/
Nesta Investment Holdings (ITG) **\$16.4bn**
- 3 China National Materials/
China National Building Material (GIG) **\$4.7bn**

Inbound: countries investing into Asian companies

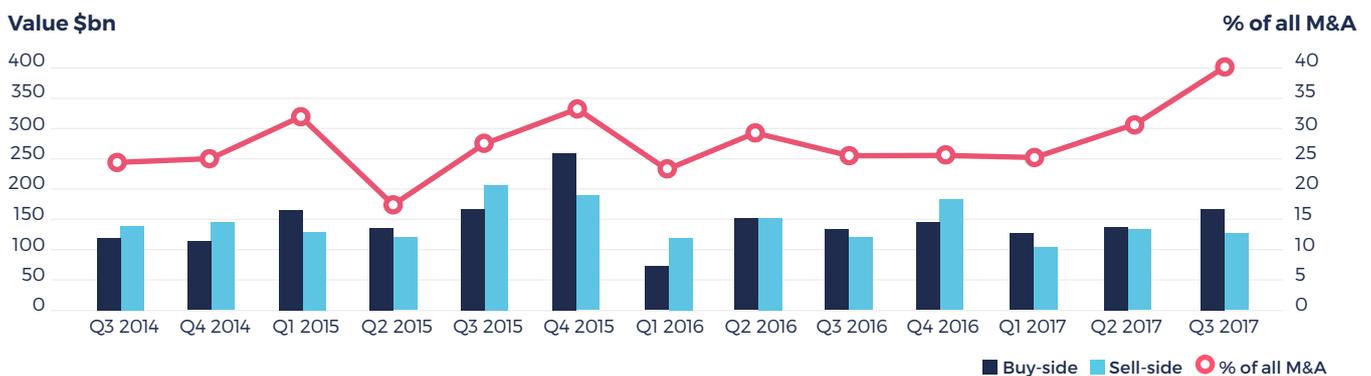
- China
1,213 deals ◀ **\$132bn**
- Japan
498 deals ◀ **\$33bn**
- Hong Kong
217 deals ◀ **\$14bn**

Outbound: countries Asian companies are investing into

- China
1,262 deals ▶ **\$138bn**
- Japan
547 deals ▶ **\$41bn**
- Hong Kong
237 deals ▶ **\$19bn**

*excluding US domestic deals

Financial sponsor M&A



CHG – Consumer and healthcare | ENR – Energy and natural resources | FIG – Financial institutions | GIG – General industries
ITG – Infrastructure and transport | TMT – Technology, media and telecoms