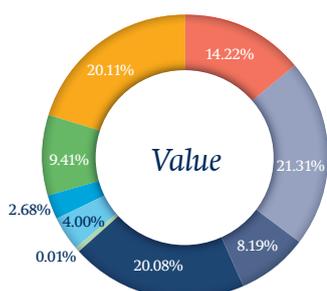


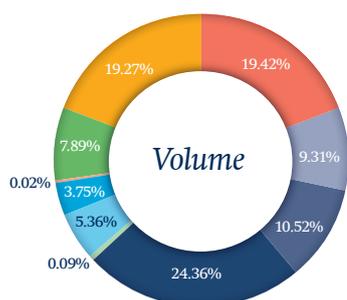
M&A monitor

State of the market Q3 2016

Sectors



Sector	Value \$bn
Consumer and healthcare	112
Energy and natural resources	168
Financial institutions	64
General industries	159
Global financial investors	0
Infrastructure and transport	32
Leisure	21
Pro Bono	0
Real estate	74
Telecoms, media and technology	159
Total	789



Sector	Volume
Consumer and healthcare	1,841
Energy and natural resources	883
Financial institutions	997
General industries	2,310
Global financial investors	9
Infrastructure and transport	508
Leisure	356
Pro Bono	2
Real estate	748
Telecoms, media and technology	1,827
Total	9,481

The Freshfields M&A monitor takes a look at the trends shaping deals and rounds up the key data. In this edition, we reflect on the continuation of China's appetite for overseas acquisitions, deal activity in the UK following Brexit and consolidation in the MENA region.

China's appetite for overseas acquisitions continues

China's outbound M&A activity continues its record-breaking pace as outbound M&A volume surpassed last year's record volume by the end of August. China leads outbound M&A with 173 signed deals valued at \$128.7bn, including a number of massive acquisitions in the first half of 2016 such as ChemChina's \$43bn bid for Swiss agrichemicals maker Syngenta and Haier's \$5.4bn offer for GE Appliances.

Although Europe has been the favoured destination for Chinese buyers with 101 deals worth \$76.5bn, the recently announced acquisition of US-based aluminium rolled products producer Aleris Corporation, by Zhongwang USA (a company majority owned and led by Mr Liu Zhongtian, founder of China Zhongwang Holdings Limited), demonstrates that Chinese buyers are also looking to North American targets. The \$2.3bn acquisition of Aleris is the highest price ever paid by a Chinese buyer for an overseas metals producer to date. We expect China's appetite for overseas acquisitions to continue, particularly in the industrials and chemicals, technology, energy and mining sectors.

UK open for business after Brexit

We've seen a couple of significant deals in the last quarter that affect UK businesses. The first, SoftBank's acquisition of ARM Holdings, represented a significant sale of the Cambridge-based business to a Japanese acquirer. This was followed up with the recent acquisition by UK-based Micro Focus of HP Enterprise's software division. Interestingly ARM Holdings is due to be replaced by Micro Focus as the UK's largest listed technology company as a result of these transactions.

Following takeover attempts by foreign businesses (eg AstraZeneca/Pfizer), the UK's Brexit vote has highlighted the public interest angle of such deals. Whilst Theresa May suggested that the UK should be capable of stepping in to defend a sector where needed, we expect that we will not see a step change in approach and consequently the UK is still open to overseas investment. This is despite the UK Government publishing a briefing paper in September raising the prospect of a UK public interest test on foreign takeovers. Foreign acquirers of substantial UK assets may well have to follow the SoftBank lead and make commitments to jobs and growth in the UK. The regime to police such commitments has been in place for some time (post the Cadbury-Kraft deal) but the SoftBank-ARM transaction was the first that saw these commitments made in a way that can be directly enforced by the UK Takeover Panel. The Government has now also signed off on the Hinkley Point transaction on the basis of a UK Government-held 'golden share'.

Consolidation in the MENA region

We have seen two significant mergers announced in the last quarter in the MENA region, both brought about by a variety of factors such as negative fluctuations in oil price and a drive for cost savings and both perhaps illustrating a broader trend towards consolidation in the region. The proposed merger of two sovereign wealth funds – International Petroleum Investment Company (IPIC) and Mubadala Development Company, with combined global assets of around \$135bn – should be the third-largest merger in history and is a landmark transaction for MENA. This deal was announced shortly following an announcement that First Gulf Bank (FGB) and National Bank of Abu Dhabi (NBAD) would be merging – also a landmark transaction, both in terms of it creating the biggest bank in the region as well as it enhancing Abu Dhabi's presence in regional and international financial markets. In short, the merger of FGB and NBAD is the most significant financial institutions transaction in MENA for nearly a decade.

Global M&A – value and volume (Company nationality is determined by HQ location.)



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