Freshfields Bruckhaus Deringer

M&A monitor

State of the market
Q4 2016

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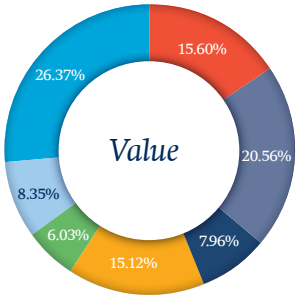
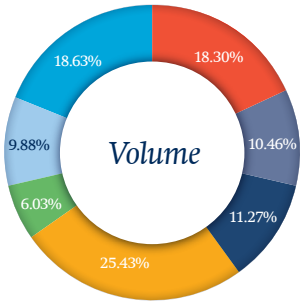
Sectors



Sector	*Value $bn*
Consumer and healthcare	161
Energy and natural resources	213
Financial institutions	82
General industries	157
Infrastructure and transport	62
Real estate	86
Telecoms, media and technology	273
Total	**1,034**



Sector	*Volume*
Consumer and healthcare	1,671
Energy and natural resources	955
Financial institutions	1,029
General industries	2,322
Infrastructure and transport	551
Real estate	902
Telecoms, media and technology	1,702
Total	**9,132**

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 continuing rise of government protectionism in M&A, the spread of activism to Europe and what factors may impact Asian outbound M&A in 2017.

Protectionism – government intervention

Brexit and the US election have been two significant geo-political developments in 2016 that will have repercussions for 2017 and beyond. Whilst President-elect Trump's administration is expected to be more business friendly on inbound investment in the US, from an antitrust perspective we anticipate that the more challenging deals will still face particular scrutiny. UK Prime Minister May has already announced changes that mean certain sectors will come under more scrutiny (such as utilities and retail banking), whilst Germany has also announced plans to amend foreign trade regulations to allow for the prohibition of foreign investment in certain key technologies. On a broader level Germany is also pushing for greater flexibility for EU member states to block certain overseas investment. Inevitably these potential protectionist policies will lead to the need for greater scrutiny of approaches on M&A whether that be greater interaction with government agencies, undertakings and concessions (as we saw in the Softbank/ARM deal) or the increased adoption of fix-it-first strategies.

Activism spreads into Europe – discerning the playbook is key

Europe has been anticipating an increase in activism and we have seen an increase of over 100 per cent in activist events in Europe over the last five years, mostly in the UK (eg Steinhoff/Poundland, AB InBev/SABMiller, Lone Star/Quintain, ENOC/ Dragon Oil). We feel this development is a result of a number of factors, including that the US target audience is getting crowded and a growing number of issues challenging deal certainty in Europe. We anticipate greater scope for activism in Europe in 2017. The activist 'shadow' is increasingly leading to corporates (regardless of size) spending more time on stakeholder engagement, reviewing their portfolio for weaknesses and crucially ensuring they're ready to address challenges proactively.

Asia outbound M&A

Whilst we saw a significant increase in outbound M&A from Asia in 2016 (China again was the most acquisitive), there has been a question as to how developments that we saw towards the end of 2016 will impact such activity in 2017. Following a leaked memo in November last year, question marks remain over the extent to which the Chinese government may seek to influence the wave of outbound M&A through certain restrictions (such as on real estate investments). In addition we are also seeing, linked with the protectionist piece, certain deals being blocked or restricted by governments (such as CFIUS blocking Fujian Grand Chip's proposed acquisition of Aixtron and the German government's intervention to temporarily block an acquisition of the German lighting business Osram). However, we anticipate deals will continue apace, and Japan, which was buoyed by another strong year of deals in 2016, is again expected to feature significantly.

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

Global	USA	Europe	Asia Pacific
M&A value	M&A regional value	M&A regional value	M&A regional value
$1,034bn	$619bn	$163bn	$189bn
M&A volume	M&A regional volume	M&A regional volume	M&A regional volume
9,132 deals	2,353 deals	2,510 deals	3,088 deals

Top 3 deals

Global

1. AT&T/Time Warner (TMT) $107.5bn
2. British American Tobacco/Reynolds American (CHG) $57.7bn
3. Sunoco Logistics Partners/Energy Transfer Partners (ENR) $51.4bn

USA

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Europe

1. 21st Century Fox/Sky (TMT) $22.8bn
2. Neftianaia Kompaniia Rosneft PAO SPV/Neftianaia Kompaniia Rosneft PAO (ENR) $10.7bn
3. Asahi Group Holdings/the CEE business formerly owned by SABMiller (CHG) $7.7bn

Asia Pacific

1. Investor Group/Ausgrid (ENR) $12.5bn
2. DUET Group/Cheung Kong Infrastructure Holdings (ENR) $9.7bn
3. Yunnan Baiyao Holding Co/Yunnan Baiyao Group Co (CHG) $5.6bn

Inbound: *most targeted countries*

USA	2,353 deals	$619bn
China	1,523 deals	$115bn
UK	434 deals	$55bn

Inbound: *countries investing into US companies*

UK	41 deals	$93bn
China	31 deals	$17bn
South Korea	9 deals	$9bn

Inbound: *countries investing into European companies*

USA	236 deals	$37bn
UK	460 deals	$21bn
Sweden	212 deals	$13bn

Inbound: *countries investing into Asian companies*

China	1,605 deals	$108bn
Australia	292 deals	$34bn
Hong Kong	325 deals	$30bn

Outbound: *most acquisitive countries*

USA	2,286 deals	$519bn
China	1,499 deals	$128bn
UK	411 deals	$111bn

Outbound: *countries US companies are investing into*

UK	91 deals	$27bn
Germany	38 deals	$6bn
Bermuda	2 deals	$3bn

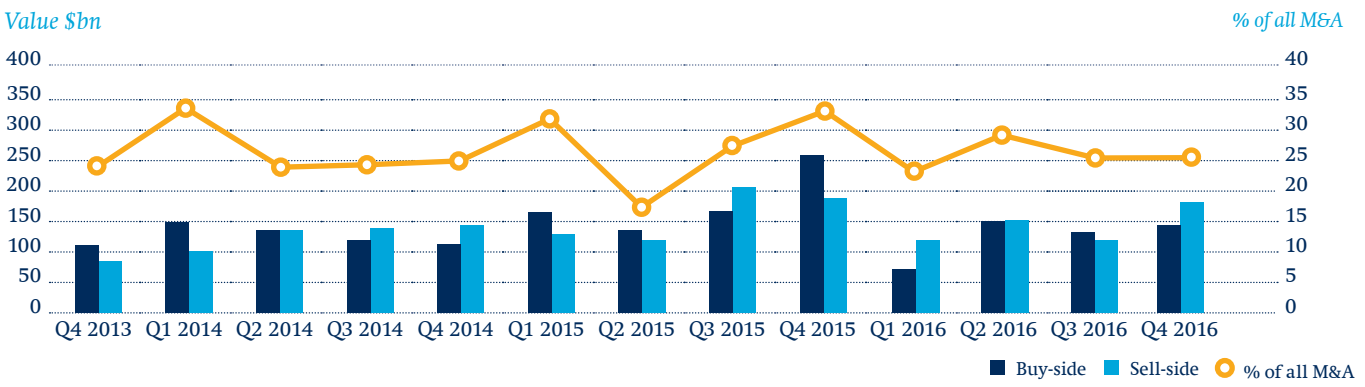
Outbound: *countries European companies are investing into*

USA	133 deals	$110bn
Russian Fed	264 deals	$20bn
UK	431 deals	$19bn

Outbound: *countries Asian companies are investing into*

China	1,682 deals	$139bn
Australia	337 deals	$42bn
Japan	681 deals	$35bn

Financial sponsor M&A



Source: Thomson One (Deals)