



UNITED STATES

Domestic M&A accounts for more than four out of five deals (81%) done in the US, which remains by far the most active market with 5,000 deals per year.

But inbound deals are growing - up 10% from 2014 levels. This reflects the attractiveness of the US, even in the context of the political uncertainties created by the 2016 Presidential campaign.

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Europe is consistently the most active buyer, accounting for 50% of inbound deals.

Asian and Chinese interest grew. Asian buyers excluding China increased their deal activity by 19% to account for 20% of all inbound M&A. In 2016, Chinese buyers accounted for 8% of inward M&A.

However, buyers from the Americas were less ambitious. Despite close economic links with Canada and Mexico, the overall share of inbound M&A from the Americas has fallen from 19.8% in 2014 to 17.5% in 2016.

Most inbound deals (31%) were in the Business Services sector. Media & Technology was the fastest-growing sector reflecting its importance to growth in the underlying economy.

CHINA

Inbound M&A volumes remain small. The market has declined after the strong levels of activity in 2014.

In 2016, the number of inbound deals fell by 25% to just over 100. Despite this fall in volume, the overall proportion of inbound deals compared to domestic M&A increased from 43% in 2015 to 48% in 2016. So inbound M&A comprises nearly half of the country's overall deal volumes.

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Asian buyers remain the most active. While their number of deals has fallen by nearly 50% since 2014, they still account for approximately half of all inbound deals.

European buyers showed more appetite - their number of deals showed a 15% increase on 2015 levels.

The Industrial sector was the most attractive for global buyers (36%) and there was a significant bounce back in the number of Consumer sector deals, although overall levels have yet to return to the 2014 figures.



SPAIN

The trend of modest year-on-year decline in inbound M&A continued, although deal activity picked up in the latter part of the year. Steady levels of overall transaction volume indicated an economy turning the corner and returning to growth.

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European buyers drive the bulk of investment into Spain. In 2016, they increased their share, accounting for 60% of inbound volumes - up from 55% in 2015.

While their volume of deals remains comparatively small, Asia including China now accounts for 15% of all inbound M&A activity.

There was a significant decline in American buyers' interest in Spain. Volumes fell by 40% from 2015, although they still comprise an important 20% of all inbound M&A.

Business Services remains the dominant sector, accounting for more than one-third of all transactions (37%). While other sectors showed broadly consistent performance, the Healthcare/Pharma sector turned in a strong level of growth (42%) over 2015 - although the sector only accounts for one in ten inbound transactions.



GERMANY

This was the year in which overseas buyers flocked to Germany. While overall deal volumes stayed constant, the volume of inbound M&A surged 16% in 2016. Inbound M&A comprised more than 55% of all deals, compared with 49% in 2015, and 47% in 2014.

This was the year in which overseas buyers flocked to Germany

European buyers were very active, representing almost two-thirds (64%) of inbound M&A volumes. This share is up from 55% in 2015. There was a tripling of acquisitions by Chinese buyers - their 39 transactions equate to 9% of total inbound M&A volumes and prompted a political response - the withdrawal of approval for the role of Aixtron to Chinese Fujian Grand Chip. Other Asian buyers were also active - in 2016 one in six (18%) of inbound deals came from Asia, including China.

Global buyers were not simply gobbling up Germany's manufacturing heartland. Growth in inbound M&A volumes was spread evenly across all sectors: both the Media & Technology and Consumer sectors showed rapid growth and together accounted for the same deal volume as the vaunted Industrial sector.



Executive Summary

While 2016 was a year of significant political change, particularly given the US election result and the Brexit vote, it was a strong year for M&A activity across Livingstone's key markets of the USA, UK and Europe, and Asia.

The rapid increase in acquisitions by Chinese groups into all of these territories attracted headlines and political attention, and increasing popular and political resistance, as German and American regulators withdrew approval for high-profile acquisitions and the British government subjected 'strategic' investments by Chinese groups to greater scrutiny.

Despite the rapid reported growth in the volume of Chinese acquisitions - up over 30% into the USA, 215% into the UK, and nearly 250% into Germany - their proportion of inbound acquisitions remains small, as Chinese acquirers accounted for one in ten in the USA, one in 15 in Germany and one in 20 in the UK.

In contrast, M&A activity in China itself declined, with volumes of both domestic and inbound acquisitions falling compared to 2015 levels after a surge in domestic deals that year. The Industrial sector is still the most important for inbound M&A volumes, accounting for 40% and growing by 25% year on year, compared to a 40% decline in Media & Technology (now around one inbound deal in ten).

In Germany, inbound acquisitions exceeded domestic deals for the first time, as domestic volumes declined slightly but acquisitions by foreign groups leapt 35%. Deals in the Industrial sector accounted for only a third of inbound acquisitions, giving the lie to lazy assumptions about the composition of the Mittelstand.

In the UK, the plunge in Sterling following the Brexit vote saw many international groups benefit from cheaper acquisitions, with a surge in Q4 dealmaking as uncertainty receded (at least temporarily). The Media & Technology sector grew fastest here, by 25% year on year, but accounts for less than a quarter of inbound acquisitions, compared the Business Services sector at nearly 40% - reflecting the UK's strong service-led economy.

Transaction volumes in Sweden were driven by a very rapid (40%) growth in domestic acquisitions, with cross-border dealmaking accounting for a little under half of all M&A volumes, consistent with the past couple of years. Three quarters of inbound deals are made by groups from other European countries, while acquirers from the Americas account for nearly 25% of inbound acquisitions but are quickly increasing their M&A volumes (up 15% year on year).

Volumes in Spain were stable, with inbound acquisitions accounting for just under half of all deals - consistent with the last two years. Chinese activity surged by 350% - but accounted for only one inbound deal in 20, or one acquisition in 40 overall. Business Services accounts for more than a third of all inbound acquisitions, while the Industrial sector accounts for one in five.

The USA remains the world's largest M&A market, with total deal volumes (roughly 5,000) slightly lower than in previous years but the proportion of inbound acquisitions increasing from 15% in 2014 to 20% in 2016. Most of these acquirers were from Europe (consistently around 50%), but Asian and Chinese acquirers now account for nearly a third of all inbound M&A. The Business Services, Industrial and Media & Technology sectors each account for around 25% of inbound deal volume, with Media & Tech volumes growing significantly faster than the other sectors. As the Trump administration focuses on encouraging domestic manufacturing, we may also see an increase in capex investment as well on domestic M&A.

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Local Market INSIGHTS

From Beijing, Chicago, Düsseldorf, London, Los Angeles, Madrid and Stockholm, Livingstone looks at how the M&A market evolved in 2016

UNITED KINGDOM

The fall in the value of sterling, in the wake of the June Brexit referendum, made the prices of UK companies more attractive to buyers from around the world. As a result, inbound M&A surged by nearly 15%, with a significant spike in Q4 2016.

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While the Americas remain the largest source for international buyers (46% of all inbound M&A deals), European and Asian acquirers also stepped up their activity - growing by 18% and 13% respectively.

The volume of inbound Chinese M&A jumped by an eye-catching 340%. However, to put this into context, Chinese buyers still only account for 4.5% of all inbound deals in the UK.

The UK's Media & Technology sector was undeniably hot in 2016. It accounted for 25% of all inbound M&A - up from 20% in 2015. Business Services remains the most important sector by volume (38%).



SWEDEN

The Swedish M&A market saw strong growth in 2016. The number of domestic deals soared 42% while inbound M&A levels increased by nearly 10%.

Europe (which includes intra-Nordic deals) remains the most significant source of non-domestic buyers for Swedish businesses, accounting for more than seven out of 10 inbound M&A deals (72%). However, the Americas form an important and growing group: in 2016, they accounted for 23% of inbound M&A.

In contrast to the activity in the German and British markets, levels of Asian and Chinese interest in Sweden were low in 2016. Combined, they represented a little under 5% of all inbound M&A.

Media & Technology deals leapt by 20% to account for one in five of all inbound deals

Most sectors showed good growth in 2016. Business Services accounts for one-third of inbound volume, Healthcare/Pharma showed a significant increase in volume, and Media & Technology deals leapt by 20% to account for one in five of all inbound deals.

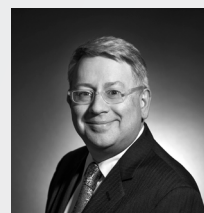


Global Acquirer Appetite

A review of acquirer appetite and transaction flows across the globe

● AMERICAS ● EUROPE ● ASIA incl. CHINA ● MIDDLE EAST & AFRICA

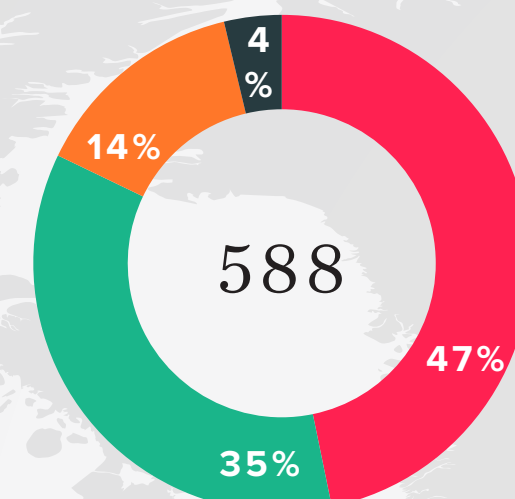
UNITED KINGDOM



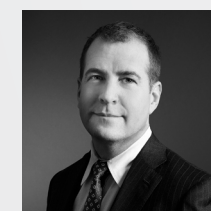
“Despite the uncertainty surrounding the terms of a Brexit, inbound M&A in to the UK was up 15% in 2016 and we see international acquirers and investors keen to take advantage of cheaper Sterling to buy good companies in a strong economy.”

JEREMY FURNISS, LONDON

- Fall in sterling post-Brexit referendum drives inbound M&A surge;
- Inbound M&A grows nearly 15% and accounts for nearly 44% of 2016 deal activity;
- American buyers remain most active but European, Asian and Chinese buyers all step up their interest – Chinese buyers triple the number of UK acquisitions they make; and
- Media & Technology the hot sector; transactions up 25% year-on-year, accounting for nearly one quarter of all inbound deals.



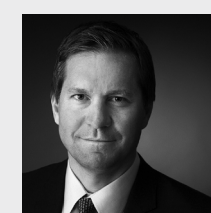
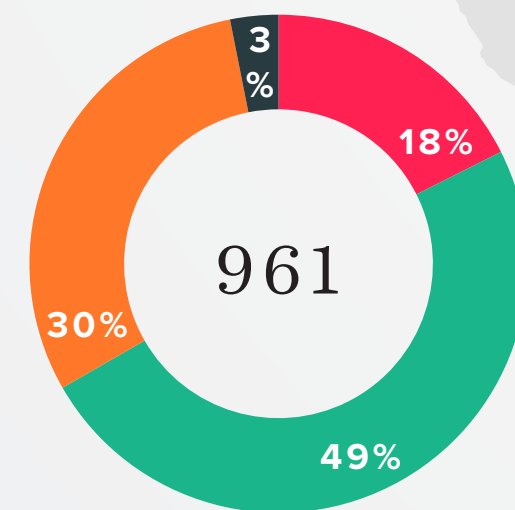
UNITED STATES



“Our international presence means we consistently find compelling international strategic buyers for US-based assets – such overseas acquirers account for 20% of acquisitions into the US.”

DAVID SULASKI, CHICAGO

- More than four out of five US transactions are domestic;
- Asia, including China, now accounts for more than one-third of all inbound M&A;
- Significant drop in interest from neighbouring American buyers - down nearly 19% from 2015; and
- Media & Technology the fastest growing sector by deal volume - inbound deals up 11% from 2015.

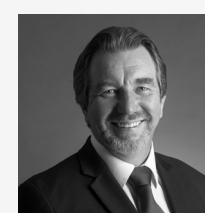


“The Business Services and Media & Technology sectors remain key to the US market, together accounting for half of all inbound acquisitions. As many technology sectors have matured, financial sponsor interest has further strengthened, while strategic buyers continue to fill key strategic gaps with more nascent technologies. There continues to be a healthy funding environment for start-up companies.”

BRENNAN LIBBEY, LOS ANGELES



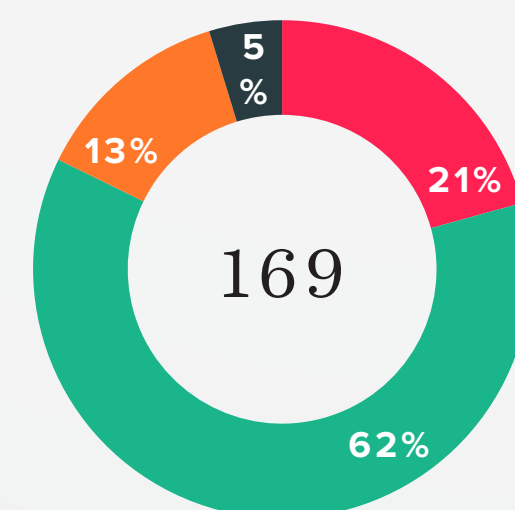
SPAIN



“As the Spanish economy has turned the corner, we have seen both domestic and international acquirers use M&A as a way to consolidate their market positions and drive accelerated growth. Chinese interest really took off this year, growing by 350% albeit from a small base, and we expect this to become more important over time.”

NEIL COLLEN, MADRID

- Deal volumes remain consistent, with activity picking up in late 2016;
- Asia, including China, now accounts for 15% of all inbound M&A;
- Notable drop in buyer interest from the Americas - down 40% from 2015; and
- Business Services remains the dominant sector, accounting for 36% of all inbound transactions.



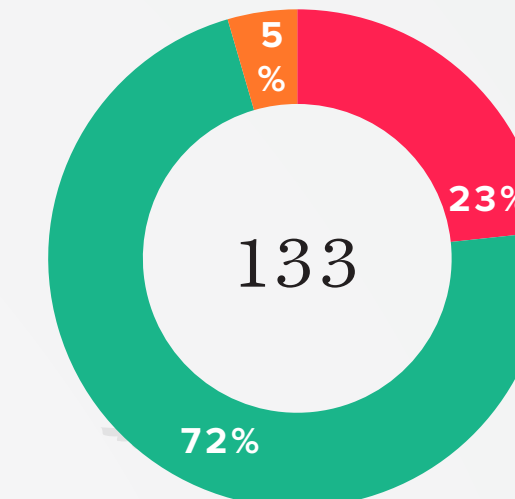
SWEDEN



“Whilst European acquirers (especially from the Nordic region) still account for the majority of inbound deals in Sweden, Asian and Chinese interest remains important and American acquisitions have been increasing quickly.”

THOMAS KARLSSON, STOCKHOLM

- Rapid growth in domestic M&A activity - up 42% on 2015;
- Inbound M&A also grows healthily - up nearly 10% on 2015;
- European buyers comprise 72% of all inbound transactions; and
- Significant deal volume growth in Media & Technology and Pharmaceuticals sectors; Media & Technology account for one-fifth of all inbound deals.



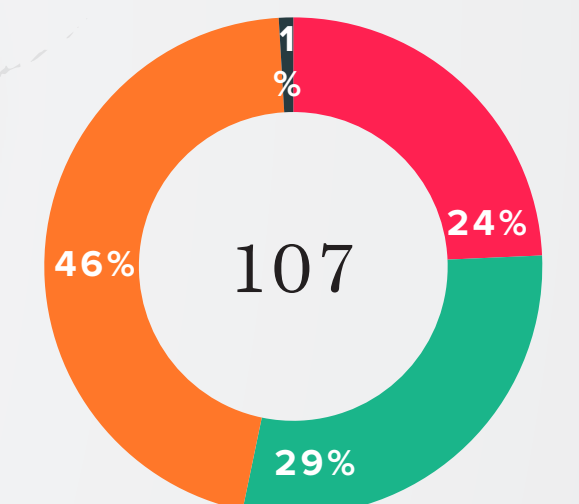
CHINA



“Transaction flow between China and Europe is expected to grow even stronger, as the relationship between the US and China is increasingly stressed by announcements from the Trump administration.”

BAOSHAN BAO, BEIJING

- Inbound M&A volumes remain small. The number of inbound deals has fallen 37% since 2014 while domestic M&A surges in 2015 then declined in 2016;
- Global buyer activity lags well behind 2014 levels; and
- Sharp decline in deal volumes in Business Services and Media & Technology sectors - both down by approximately 40% as Consumer activity bounced back.



GERMANY



“The immense increase of Chinese inbound M&A activity recently raised concerns on transactions involving German tech companies – and the Aixtron transaction was called off as a consequence. Nevertheless, the deal activity between China and Europa will remain strong and grow further, especially in the light of the recent plans of the Trump government to encapsulate the US further. In 2016, we were delighted to help Chinese Keyvia acquire Balfour Beatty’s German rail business.”

CHRISTIAN GRANDIN, DÜSSELDORF

- Inbound M&A volumes accelerate dramatically - up 35% on 2015;
- Inbound M&A represent 55% of all transactions;
- European buyers account for nearly two-thirds of all inbound transactions, but Chinese buyer interest grows markedly to 9% nearly tripled – nearly one inbound deal in 10; and
- Rapid growth in number of deals in Media & Technology and Consumer sectors.

