

Livingstone

INTERNATIONAL MID-MARKET
M&A AND DEBT ADVISORY



H1 2017

global

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EXECUTIVE SUMMARY

*by Steve Miles
Partner, Chicago*

“While there is no denying M&A faces some challenging headwinds, in most cases activity is proving remarkably robust.”

Despite a year of uncertainty and political upheaval, M&A activity continues across the world – and international deal flow, particularly, is proving resilient.

Lower volumes of domestic M&A in some regions are offset in some cases by far higher values, and tempered by significant inbound activity. The result is that overseas buyers are playing a vital role in driving M&A.

We are also seeing exciting M&A activity in not only the regions covered in this report, but also in the traditionally smaller markets: right next to Germany, Switzerland has seen a flurry of recent M&A deals; in the Nordics, both Norway and Denmark are seeing a significant increase in activity; and India, always second to China when it comes to emerging super powers, has a booming M&A market.

While there is no denying M&A faces some challenging headwinds, in most cases activity is proving robust.

Donald Trump’s presidency, for example, has brought continued uncertainty for international buyers looking to North America. Yet, M&A in sectors such as energy is thriving, and the US continues to see more M&A activity than all the other regions combined. Canada, meanwhile, sees sustained and significant activity, both domestically and inbound.

Brexit, too, has profound implications for buyers, but no major slowdown has yet to be felt. Domestic activity in the UK, if not Ireland, is quieter, but international buyers continue to look to Britain and Ireland first when investing in Europe. Between them, Britain and Ireland saw 380 deals involving international buyers in the first six months of the year, well ahead of the 331 in the DACH region. US buyers (closely followed by European buyers) continue to drive activity, and how this holds up will be a key indicator of future challenges for M&A in the region.

Finally, while there has been a slowdown in domestic M&A in China, international buyers into China are less deterred, as Asian activity continues and buyers from the US remain fairly constant.

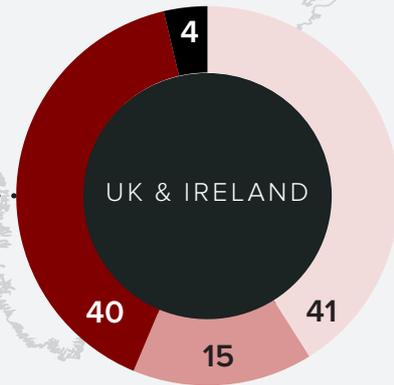
Furthermore, the Indochina region now also has India’s booming M&A market to drive activity, and it accounted for the majority of the 220 deals overall in the region in the first half of the year – 141 of them inbound. US buyers are active, with the Americas making up almost 40%, against about a quarter for Europe and a third from Australasia.

Whatever challenges there are in the market, buyers for now continue to face them with considerable confidence across the globe.

JEREMY FURNISS, PARTNER, LONDON
UK & Ireland

Despite uncertainty over Brexit, the UK remains the go-to destination for buyers into Europe – and often from continental Europe; European businesses were actually very active in the first half of 2017. The Livingstone-advised sale of the Electro Ceramics activities of publicly-listed Morgan Advanced Materials to a subsidiary of Germany’s CeramTec was just

one example. US buyers remain enthusiastic, too, and were the most active players. Time will tell whether the UK’s role as a gateway to Europe can continue. There is no such issue for Ireland, though, and it, too, sees continued interest from the rest of Europe and the US. For the region overall it’s business services, and particularly financial services, that is the strongest sector.

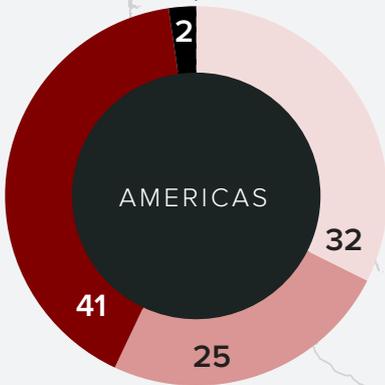


WHERE ARE THE BUYERS COMING FROM?

The charts show the percentage of inbound M&A in H1 2017 by region for each jurisdiction

KEY

- AMERICAS
- ASIA & AUSTRALIA
- EUROPE
- MIDDLE EAST & AFRICA



STEVE MILES, PARTNER, CHICAGO
Americas

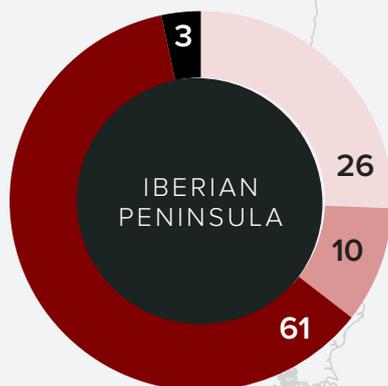
Only 24% of all North American M&A involves overseas buyers, but the US is still the center for inbound M&A activity worldwide, and there were some big deals in the first half in Canada, too. There were 46 deals from Chinese buyers in the first half, but it’s European and – on a similar scale – the Americas that mainly drive activity, which is tending to focus strongly on the software market.

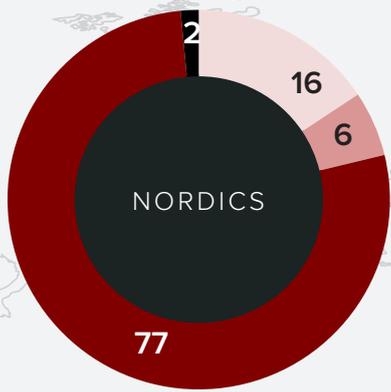
That’s also been true for domestic activity, with Livingstone advising on the sale of leading threat assessment and operations visualization software provider IDV Solutions to Everbridge in January, for example.

NEIL COLLEN, PARTNER, MADRID
Iberian Peninsula

International buyers accounted for about half the activity in Spain and Portugal in the first half, with European buyers particularly active; the sale of leading Spanish B2B distribution company Tecnopacking, SLU, to FTSE 100-listed Bunzl plc was one example, and was fairly typical since business services is by far the busiest area.

There’s good activity from the Americas, too, though, led by US buyers, despite the activity of some Latin American businesses looking for a foothold in Europe. While Spain is the obvious dominant partner in the region, activity in Portugal, with 50 deals over the period, is not inconsequential.

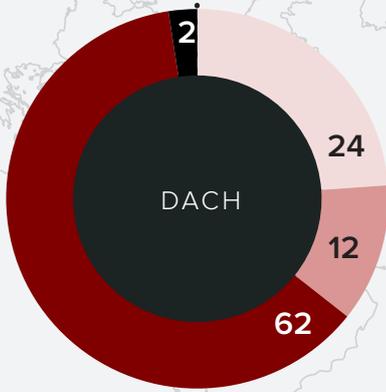




THOMAS KARLSSON, PARTNER, STOCKHOLM
Nordics

Sweden remains the busiest of the Nordic countries, although after extreme highs last year, activity has normalized. We're happy to notice increasing M&A activity in Denmark and Norway, signaling that they might be catching up. A slight majority of Nordic deals are still domestic, but interest from European and overseas investors is significant and increasing.

Overall, European buyers account for more than three quarters of inbound M&A. In the first half, Livingstone advised the global UK-based company Tata Technologies on its acquisition of Escenda, Sweden's leader in product engineering and design for the automotive sector, for example. American buyers show a growing appetite, however.

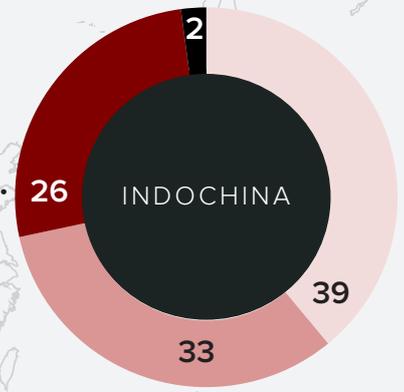


CHRISTIAN GRANDIN, PARTNER, DÜSSELDORF
DACH

International buyers play an increasing role in Germany, and combined with activity in Switzerland (where M&A overall has surged) they account for the majority of activity in the region. European buyers are by far the most common, but the US makes up an increasing share.

By contrast, demand from China is less assured, and industrial M&A in Germany may suffer from reduced

acquisitiveness, although there were still 16 deals in the region from Chinese buyers in the first half. Domestic activity continues, too, as we saw with the acquisition of the wooden packaging division of Holzindustrie Fürst zu Fürstenberg by a portfolio company of Flacks Group. Other sectors continue apace, with business services seeing 149 inbound deals in the first half as well.



BAOSHAN BAO, MD, BEIJING
Indochina

Despite the economy in China defying the gloomy forecasts in the first half of the year, domestic M&A has seen a big slowdown compared to 2016. With regards to Inbound M&A, though, buyers from the Americas, Europe and elsewhere in Asia and Australia all still retain an appetite for the country.

It is not half so marked as the interest being seen in India, however. M&A there is driven in large part by domestic activity but also by a range of international buyers, but particularly from the US. A variety of business services, including transportation, financial services and energy, is attracting good interest.

The global M&A outlook

GEOGRAPHIC PERSPECTIVES



“The political turmoil of the UK General Election and Brexit appears not to have diminished international acquirer interest in the UK overall in the first half of 2017, although a 15% decline in the volume of transactions by US buyers – despite a favourable dollar to sterling exchange rate – may be indicative of a softening in the appetite for UK targets amongst overseas acquirers generally in the second half.”

UK & IRELAND

Jeremy Furniss has specialised in M&A in the public and private company arena for over 22 years and leads the UK’s Business Services sector team.

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Despite a period of uncertainty that ended with the aftermath of the shock general election result, M&A activity continues in the UK. It remains the M&A leader in Europe and anywhere outside the US, with 780 deals in the UK and Ireland in the six-month period.

The M&A activity reviewed includes the sale by private equity group Blackstone of European warehouse firm Logisor to

China Investment Corporation for £10.7 billion, but also a whole raft of deals worth between £2 billion and £4 billion each, with the £3.8 billion merger of Aberdeen Asset Management and Standard Life being the most significant. In Ireland, the £5.9 billion sale of aircraft lessor AWAS Aviation Capital Limited to Dubai Aerospace Enterprise was the second largest deal of the period (of the only reported deal in Ireland to top £1 billion).

What’s particularly noticeable for the UK is that political uncertainty and Brexit have done little to dampen international interest, with inbound activity holding up well. Combined with continued interest in Ireland from Europe and the US and a domestic slowdown, foreign buyers actually accounted for almost half (49%) of deals in the first six months of the year.

It’s also noticeable that many of these buyers are European, who almost match activity by US buyers into UK. Continental

European buyers account for about their same as their US counterparts – 40% for the former compared with 41% for the latter. The majority of the rest come from Asia and Australia (15%).

Key sectors

The business services sector has been the key driver for M&A activity in the UK and Ireland, with 311 deals, mainly as a result of activity in financial services (62 deals) as well as other services (127), although activity in the energy sector (48) also played a meaningful part.

Media and technology was the next biggest contributor to M&A, led by 71 deals in the computer software sector, with another 24 in computer services, and 30 in the Internet and ecommerce sectors. In total, this added up to 158 in media & technology, a little ahead of the number of deals in both the consumer (134) and industrial sectors (128).

NORDICS

Prior to joining Livingstone, Thomas Karlsson co-founded Arctos in 2001. He now leads Sweden's Consumer and Media & Technology sector teams.

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Sweden remains the most active M&A market in the Nordics. After an exceptionally busy year in 2016, it has normalized in the first six months of 2017, but continues to thrive. Denmark and Norway continue to gain importance as well and are seeing increased levels of M&A activity.

Domestic deals remain a majority in the region, accounting for 56% of the 454 total. Some of the most noteworthy include Swedish investment group Kinnevik's €390 million acquisition of Com Hem AB, a listed Sweden-based cable/digital television and broadband provider, to complement its existing mobile and media companies. Norway saw the €1.43 billion merger between offshore industry players Farstad Shipping and Solstad Offshore, which aims to exploit the market recovery through significant synergy wins.

Deals with international Nordic businesses involved European players in 77% of the cases, and buyers from neighboring Nordic countries make up a majority of these.

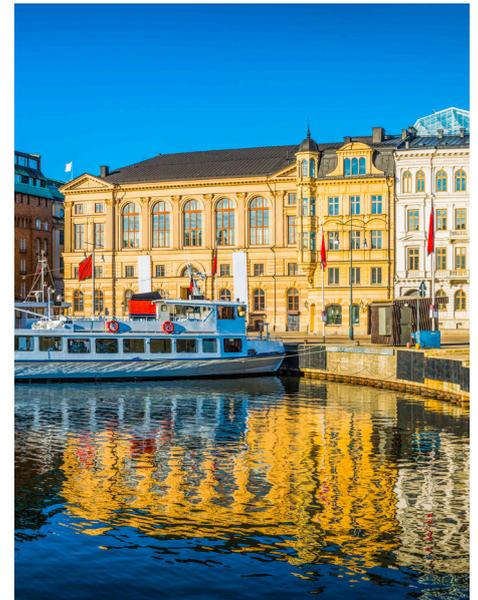


“Sweden’s M&A market is still boosted by the strong economy and we see Norway and Denmark recovering. Volumes continue to be challenged by the IPO market, but overseas buyers and well-funded private equity now pose an attractive alternative in many sales processes. Media & Tech and quality engineering companies are highly attractive for in-bound M&A investment.”

The multiple cross-Nordic acquisitions in the furniture and home improvement sectors by Swedish Bygghemma, building and garden products e-business and a portfolio company of Norwegian FSN Capital Partners, are among these.

Among non-Nordic European buyers in the period, UK-based private equity firm HgCapital stands out with its €4.52 billion buyout of Visma business services software group. Visma was the year's biggest Norwegian deal and the largest ever European software buy-out.

In the majority of remaining cases (16% overall) the buyers are American: the €849 million purchase of Sweden's Nordic Cinema Group by AMC Entertainment Holdings and the €840 million purchase of Danish packaging firm Faerch Plast by Advent International Corporation are two examples. Asian or Australian and Middle Eastern buyers continue to show great interest in Nordic sales processes, but still play minor roles as buyers, representing just 6% and 2% respectively



Key sectors

Investor interest is broad in the Nordics, with the large majority of deals quite evenly distributed across the business services, industrial and media & tech sectors. Business services was the busiest, accounting for just over a third of the total M&A. One of these deals was UK-based PE firm CVC Capital Partners' €508 million acquisition of Sweden-based online travel agent Etraveli AB from German ProSiebenSat.1 Media.

Among subsectors, industrial products and services, construction, and software stand out. The decision by Nordic mid-market firm Segulah to sell manufacturer Øglænd Industrier to Lichtenstein family-owned trade buyer Hilti Oglænd for €203 million was one of many examples.

While the Visma buyout mentioned above was the by far largest software transaction, there were plenty of smaller deals, often with international buyers looking to secure unique technology through Nordic acquisitions.



IBERIAN PENINSULA

Neil Collen has more than 24 years of experience in M&A transactions. He is responsible for the Business Services and Consumer sector teams in Spain.

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Spain is on the mend. Helped by strong growth in 2016, the economy is forecast to finally recover the losses it suffered from the financial crisis in 2007. This year, it has also been the strongest growing major Eurozone economy. M&A figures are down in the country, but not by as much as the other European countries covered.

It certainly dominates M&A activity in the Iberian Peninsula, where there were 231 deals in the first half. There has been major activity from international private equity in Spain: CVC bought 25% of CLH, and Macquarie another 20% for €2.5 billion; KKR bought a 40% stake in Telxius from Telefonica for €1.27 billion; CentreBridge renewables vehicles sold to JPMorgan Asset Management €700 million. Finally, Accelya was bought by W. Pincus for €650 million, and the Allfunds fund platform was bought by Hellman Friedman and GIC from Santander for €1.8 billion.

Portugal's contribution of around 50 deals is not inconsequential, however. It includes significant deals such as the sale of a 75% stake in state-rescued lender Novo Banco to US private equity firm Lone Star in exchange for a capital injection of €1.1 billion into the institution, as well as grid operator REN's (Redes Energeticas Nacionais) €501.06 million purchase of the natural gas distribution network from EDP Energias de Portugal.

As the latter deal showed, domestic M&A accounts for significant activity, but it is a pretty evenly split, with 52% involving international buyers. These are mostly from Europe (61%), but over a quarter (26%) are from the Americas. The countries undoubtedly act as a gateway to Europe for some ambitious businesses in the Spanish-speaking world, with buyers from Columbia and Brazil in the last six months. It is the US, predominately, that delivers buyers from outside Europe, however.

Key sectors

Business services accounted for by far the greatest activity in the last six months, with 96 deals. No single subsector dominated, although energy, with 22 deals (including some of those above), and financial services, with 18 deals, were among the busiest. Consumer – foods, retail and other – with 28 deals and leisure, with 22, also made their mark.

Real estate is also an active sector again, and as new build developments reactivate and the government slowly opens civil construction programs, construction companies themselves are subject to growing interest, with eight deals being done in the semester. Tellingly, building materials has also shown some really strong deal indicatives.

“After a few years of opportunistic acquisitions of real estate, bank debt (NPLs), and the prevalence of restructuring funds, the re-emergence of strategic buyers and private equity sponsors looking for high quality assets has been really noteworthy. It appears that there is a consensus that the long Spanish crisis is behind us.”



“Lower confidence in the economy in China along with government efforts to move away from heavy industry are having a marked impact on M&A in the country. At the same time, the Indian market is, by way of contrast, positively booming. It’s a rising star for international buyers, particularly from the US.”

INDOCHINA

Following his studies of Political Science in China, Baoshan joined Livingstone in 2011 and leads transactions in the Indochina region.

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China’s M&A has seen a big slowdown in the last year. This comes despite strong growth in the economy in the first two quarters of the year, and government efforts to restrict outbound acquisitions with controls to limit capital outflows. The latter seems to have been somewhat effective in reducing Chinese appetite for outbound M&A around the globe, but there is less sign of this diverting acquisitions to domestic targets.

At the same time, India is seeing a boom in M&A, rising by almost a quarter in the first three months of the year, according to reports, and accounting for the majority of the 220 deals in Indochina in the first half. Most notably, it was responsible for easily the region’s biggest deal: Vodafone India’s ¥87.38 billion merger with Idea Cellular.

Foreign buyers remain the primary source for M&A in Indo China, with 64% inbound. In China that’s led by its neighbours around Asia, with the remainder fairly evenly split between the Americas and Europe. In India, though, it’s the US that dominates, so that 39% in the region overall is from the Americas, against about a quarter each for Europe and Asia & Australia.

Key sectors

In broad category terms, it’s business services (72) that’s most active in driving M&A in Indo China. That activity is spread widely across subsectors, with financial

services (15), energy (12) and other services (17) all seeing significant activity. In all cases, deals in India account for by far the majority.

In media & technology (64), the next most active sector, it is a little more evenly balanced between the countries. China has seen a busy few months in Internet and ecommerce with seven deals done over the period, along with six deals in software industry as well. India still took the lion’s share for each, however, and overall Internet and ecommerce (26) and computer software (22) were the busiest subsectors.



“The US remains the biggest driver of M&A activity worldwide, and North America continues to be dominated by domestic deals, with business services and computer services leading the way—a trend we anticipate will continue. Nevertheless, we’ve also seen some exciting activity in the first half from both Europe and businesses elsewhere in the Americas, which made up more than a third of buyers.”

AMERICAS

Steve Miles has over 20 years of experience advising mid-market companies on M&A transactions, financial restructurings, and debt and equity raises.

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The US is not just the driver of M&A activity on its continent, but the driver of M&A worldwide. It accounted for the vast majority of the 3,019 deals seen in North America in the first half – substantially more than the total for the other five regions reviewed combined.

It also accounts for the majority of the biggest deals: British American Tobacco’s \$65.6 billion acquisition of Reynolds American Inc; medical equipment supplier Becton Dickinson and Co’s \$24 billion acquisition of C R Bard Inc; Amazon’s \$13.7 billion takeover of organic food specialist Whole

Foods Market; and the \$14 billion merger of US-based Huntsman Corp with Swiss chemical company Clariant.

Canada is also seeing increased activity. Cenovus Energy’s \$13.3 billion purchase of ConocoPhillips assets was among the period’s biggest deals; as was the \$7.25 billion purchase by Canadian Natural Resources of most of Royal Dutch Shell’s interest in the Athabasca Oil Sands Project. It’s seen a number of other big \$1 billion plus deals, too.

In most cases, deals are domestic: Fewer than a quarter (24%) of deals included a foreign buyer. Among the 735 inbound deals, almost a third (32%) were from elsewhere in the Americas, with 238 deals, not so many fewer than the 299 from Europe.

Deals originating in China still accounted for 46 in North America in the first half, mostly acquisitions of US businesses, despite the US government’s promise of tougher regulatory scrutiny of Chinese acquisitions and Chinese attempts to limit the flow of capital from the country.

Key sectors

Business services is the area seeing the most activity in North America, accounting for more than a third (1,057) of all deals, with financial services (259) energy (242) and other services (325) among the busiest subsectors.

None match the activity in computer software, however, which saw 386 deals: Apollo Global Management’s \$5.1 billion buyout of conferencing services provider West Corporation in the US, and private equity firm Vista Equity Partners’ acquisition of Canadian financial technology services provider DH Corp for \$4.8 billion, are just two examples.

Combining this with activity in computer services (95 deals), Internet & ecommerce (90), and the media (94) shows that media and technology was the busiest broad sector after business services, with 715 deals overall, ahead of the 628 in industrial sectors.

DACH

Christian Grandin is co-founder of Livingstone's office in Germany and has over 20 years of experience. He leads the Industrial sector team from Düsseldorf.

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International buyers account for the majority of M&A activity in the DACH region, not just in Switzerland, but increasingly in Germany as well. While domestic deals outnumbered inbound M&A in the country as recently as 2015, international buyers now lead the way. Overall, inbound deals accounted for 59% of the 566 transactions in the region. Only in Austria do domestic deals still dominate, and even it sees buyers from as far as Australia and Afghanistan.

The region's biggest economy by far, Germany accounts for the lion's share of the deals. It also accounts for the biggest, such as US firm's Praxair's €40.5 billion merger with German industrial gases company Linde.

Switzerland, though, can't be ignored. In 2015, only a couple of takeovers for companies listed on the SIX Swiss Exchange were announced, but last year saw Syngenta, Pentair and Gategroup all selling for billions, and in the first half, US firm Johnson & Johnson sealed the biggest pharma deal in over a decade when it bought Swiss firm Actelion Pharmaceuticals for €27.55 billion.

The majority of buyers continue to come from Europe, accounting for 62% of inbound M&A. The US doesn't just account for some of the very biggest deals, however; it also accounts for an increasing number. There were 79 deals involving US buyers in the first half, 60 of them for Germany, while Asia and Australia accounted for 10% of deals.

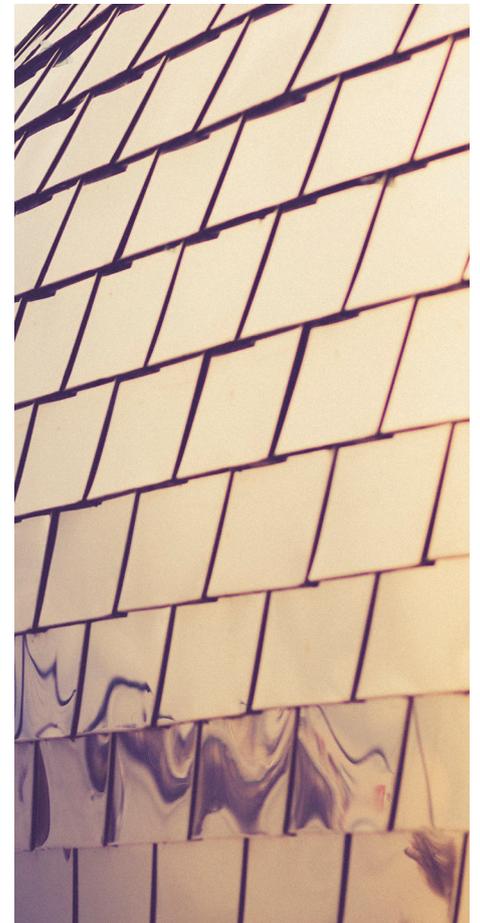
Key sectors

Restrictions of Chinese capital outflows is a challenge for industrial deals in Germany, where many Asian buyers tended to focus in the past. Nevertheless, the willingness of Chinese and other international industrial buyers to invest in Europe is unbroken, and industrial deals remain the lifeblood of German M&A with 176 deals in the first half. Industrial products and services, with 69 deals, remains the most active subsector.

At the same time, other sectors continue to thrive, with business services – which saw 149 deals – particularly busy in the six months to June, bolstered by 27 deals in financial services, as well as energy and construction (19 each).

The Swiss influence on the figures is most clearly seen in the 41 medical deals, along with (domestic) activity in Austria, with 45 deals in computer software.

“Only a few years ago, Germany was largely a domestic market when it came to M&A, but that's changing, with significant international acquisitions not just from Europe, but also, increasingly, the US, with 79 deals involving buyers from the Americas between the DACH countries in the first half.”



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LET'S DIVE IN

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We focus on five core industries, with dedicated teams across our offices serving the Business Services, Consumer, Healthcare, Industrial and Media & Technology sectors, drawing from our experience of closing over 900 transactions.



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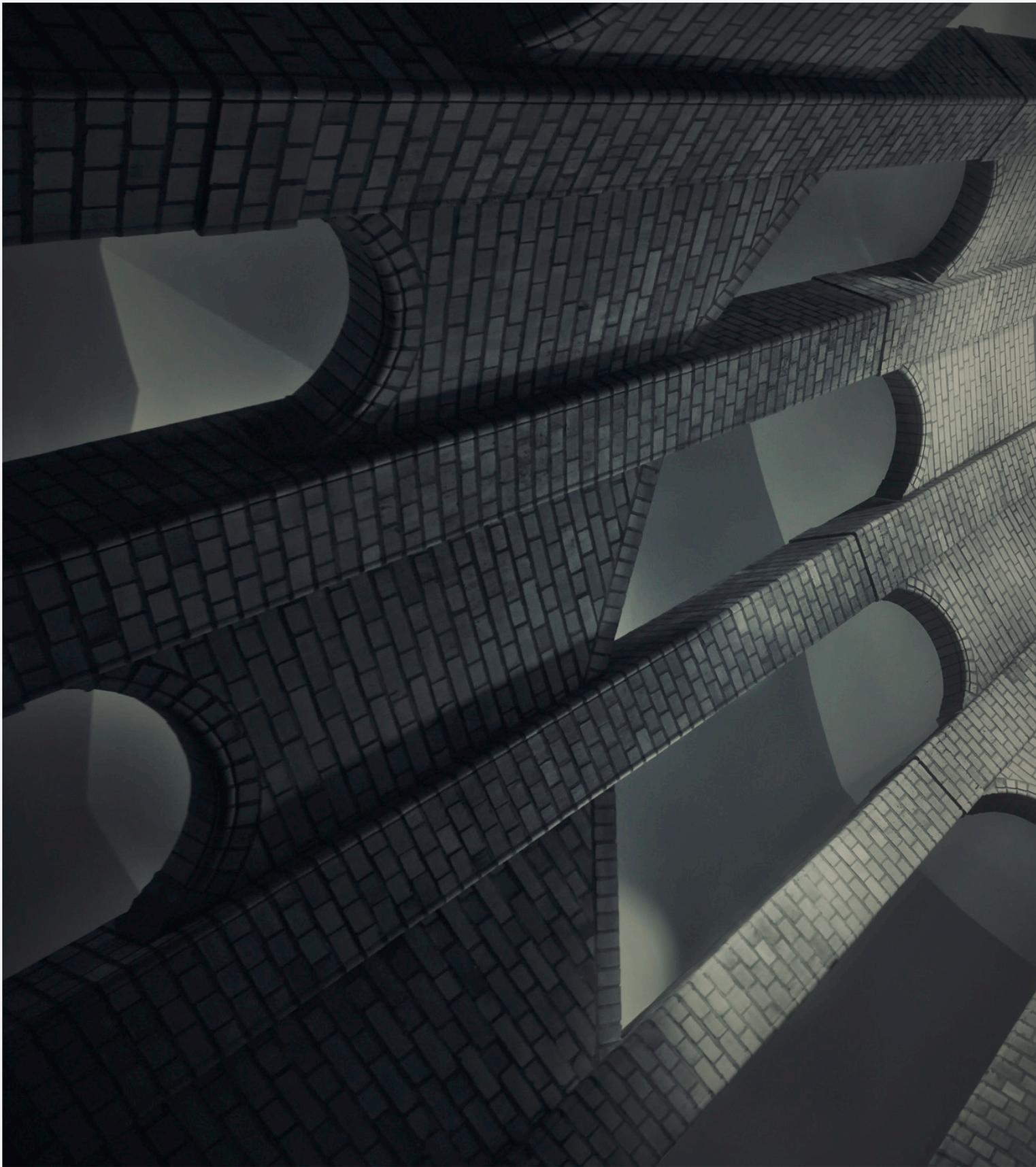


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