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Our Insights into M&A Trends
Global Dynamics
July 2015 supplement

2015: The story so far

2014 was an impressive year for global M&A and that momentum has been maintained into the first half of 2015. Global announced deal values reached US$1.7trn, making it the strongest half-year period for M&A since the first six months of 2007.

Looking ahead to the rest of the year, global indicators point to continued strong M&A activity. We are seeing bold moves in US boardrooms, supported by outperforming stock markets, a strong currency and cheap debt. These drivers, together with increased shareholder pressure to use M&A as a way of securing growth, are expected to result in further transformational strategic deals for US corporates. China outbound M&A deals look set to increase in size and number, as government policy to encourage Chinese enterprises to expand internationally takes effect, and this activity is likely to centre on US and European marquee brands and tech firms. Deal appetite in European boardrooms over the coming months is more difficult to predict – the current 'wait and see' approach may remain as long as question marks hang over the position of Greece and the UK in Europe, and while economic uncertainties persist.

Guy Norman
Global Head of Corporate

Clifford Chance has been advising on over US$79.7bn of deals in 2015 to date, many of which reflect some of the key global trends. Highlights of the deals on which we have advised over the past few months include:

- **Cinven's acquisition of pan-European laboratories businesses, Labco for €1.7bn from a consortium of investors and Synlab from BC Partners for approximately €1.2bn** – evidence of European private equity interest in healthcare, the fragmented laboratories market in particular
- **Deutsche Telekom's disposal, along with Orange, of their UK joint venture EE to British telecommunications operator BT Group** – evidence of ongoing consolidation in the European TMT sector as part of the wider "quad-play" strategic approach
- **China CITIC Bank on the acquisition of 30% stake in CITIC International Financial Holdings from BBVA for US$1.05bn** – evidence of the continuing trend of strategic repositioning in the banking sector
- **Apache Corporation on its US$2.1bn sale of its Australian oil and gas business to private equity funds managed by Brookfield Asset Management and Macquarie Capital** – evidencing the increased appetite from private equity for oil and gas assets following the oil price slump
- **Metro's disposal of its Galeria Kaufhof network of department stores to Hudson's Bay Company** – another example of North American interest in euro zone assets in sectors such as retail
- **Canada Pension Plan Investment Board and Hermes Infrastructure on the £1.6bn acquisition of a stake of Associated British Ports, the UK's leading ports group, from Goldman Sachs** – evidence of Canadian pension plans' interest in European infrastructure assets
- **Actis on a joint venture with Mainstream Renewable Power, the global wind and solar developer, to establish a US$1.9bn pan-African renewable generation platform, Lekela Power** – evidence of diversification of private equity funds into energy assets and continued interest in the opportunities on the African continent
- **the acquisition by GTECH, the Italian-based lottery, gaming and sports betting group, of International Game Technology, the Las Vegas gaming machine maker** – an innovative cross-border merger with approval of the English Court resulting in an NYSE-listed UK tax resident gaming group
- **Fidelis Insurance Holdings on a joint venture between private equity funds and industry founders, partnering with hedge funds, to form a specialty insurance and reinsurance provider, with a capital raise of US$1.5bn** – evidencing an innovative model designed to maximise returns across market cycles and mitigate underwriting volatility by shifting capital and risks between insurance underwriting and investments

Global activity levels

The first half of 2015 has seen continuing growth in the global M&A market, driven by strategic corporate activity. The US continues to be the strongest M&A market and the energy sector maintained its position as the largest sector by announced deal value.

Announced global M&A deal value in the first half of 2015 increased 12% year on year (US$1.70trn up from US$1.52trn). This represents the best first-half performance since 2007. However 28 mega-deals, accounting for almost 40% of global deal value, somewhat distort these figures

Activity (by value) rose in the US and Asia Pacific (up 21% and 42% respectively) but fell in Europe (-8%) and Africa and the Middle East (-29%). Domestic and inbound US M&A, which represented 42% of global M&A value (the highest percentage since 2009), was particularly strong in the technology sector (e.g. Charter Communications/Time Warner) and in the consumer sector (e.g. Heinz/Kraft)

The level of M&A between the main global regions, which had risen sharply in 2014 fell in H1 2015 with global cross-border M&A down 9% to US$635.1bn and with inbound M&A in every major region (other than Africa and the Middle East) either flat or down on H1 2014. Europe continues to be the preferred region for inbound investment (US$160bn) with investment from Asia Pacific as at end-June already greater than Asian investment into Europe during the whole of 2014. Notable deals include Hong Kong's Hutchison Whampoa's acquisition of Telefónica's UK arm

Energy, mining and utilities continues to be the strongest sector (18% of global deal value), buoyed by the US$81.2bn Shell/BG deal. The TMT sector is also seeing strong activity, particularly in the US, as companies use acquisitions to gain market leading technologies and services. As at end-June, TMT sector M&A stood at US$198.3bn, just 11% short of deal value for the whole of 2014 – itself a record for the sector

Exits have dominated the private equity arena, particularly in Europe. Notable deals include the sale by Apax/Permira of New Look to Brait. As with a number of processes in 2015, and owing to the strength of the capital markets as an alternative means of exit, this process ran as a real dual track before concluding as an M&A sale

Data taken from mergermarket.com "Global and regional M&A: First half 2015"

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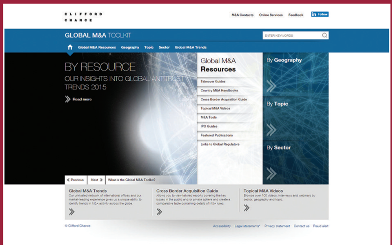

Clifford Chance Global M&A Toolkit

The essential interactive resource for anyone involved in M&A transactions. The Clifford Chance Global M&A Toolkit comprises a growing collection of web-based transaction tools and in-depth analysis of the most important market and regulatory developments in M&A regimes across the globe.

www.cliffordchance.com/GlobalM&AToolkit

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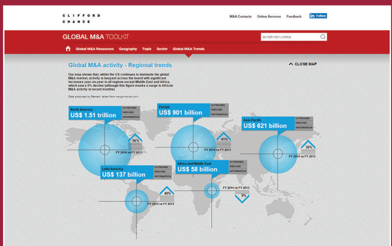

Global M&A Trends: Interactive investment flow maps

Our interactive maps show current M&A flows into and out of each major investment region of the globe giving you insights into the latest trends in cross-regional M&A. The maps are easy to use, simple and effective. Available through the Global M&A Toolkit at

www.cliffordchance.com/GlobalM&ATrends

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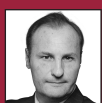

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