

2016 H1

# Globalscope Newsletter

reporting on global M&A activity and the latest semi-annual conference

Shanghai 2016 H1



*"The starting point for business valuation across all sectors in any region in the global marketplace"*

**GLOBALSCOPE**  
INTERNATIONAL M&A ADVISORS

# About Globalscope

## What we do

Our focus is on mergers and acquisitions (M&A). This often includes representing clients who wish to divest or acquire a company and advising our clients on the related fine details including, for example, restructuring, international joint ventures and licensing initiatives.

We work with the senior management of private and public companies as well as private equity firms.

## Who we are

Globalscope was founded in 1987 when a small group of entrepreneurial corporate finance and business advisers came together to support clients in cross-border transactions.

We now have 45 member firms, with more than 500 professionals on the ground across 37 countries:

### AMERICAS

Brazil  
Canada  
Mexico  
United States

Panama  
Uruguay

### ASIAPAC

Australia

China  
India

Indonesia  
Japan  
Singapore  
South Korea  
Vietnam

Guarita & Asociados  
Osprey Capital Partners Inc.  
Allegiance Capital Corporation  
Allegiance Capital Corporation  
Greif & Co.  
Paramax Corporation  
Insignia Financial Advisors  
Ficus Capital S.A.

Terrain Capital  
Tomkins Turner  
Beijing HRS Consulting  
MAPE Advisory Group Pvt Ltd  
RCS Advisors (India) Pvt. Ltd.  
Naxel iPartners  
Kaede Financial Advisory Inc.  
Stirling Coleman  
H-Partners Korea  
Nexus Group

## Why we do it

With 20 – 25% of all M&A transactions being cross-border (defined in this report as involving buyers from a different country to the target company), it is essential for our member firms' clients, whether they be buyers, sellers or targets, to have access to an international network of corporate finance advisors.

### EUROPE

Belarus  
Belgium  
Czech Republic  
Denmark  
Finland  
France  
Georgia  
Germany

Greece  
Hungary  
Israel  
Italy

Luxembourg  
Netherlands

Norway  
Poland

Portugal  
Russia  
Spain  
Sweden  
Switzerland  
Ukraine  
United Kingdom

Capital Times  
Common Ground Corporate Finance  
Venture Investors Corporate Finance  
Dansk Merchant Capital A/S  
Summa Capital  
CMW Corporate Finance  
Alliance Group Capital  
CCI Management  
CatCap  
Transfer Partners Group  
First Athens Corporate Finance SA  
Heal Partners  
Portofino Investments  
Benedetti & Associates  
Palladio Corporate Finance  
Tenzing Partners SA  
DEX international M&A  
Stratégie  
Impello Management AS  
Augeo Ventures  
Aventis Capital  
Bluemint Capital  
RB Partners  
Next Corporate  
Jarl Securities  
InternationalScope Ltd.  
Capital Times  
Cobalt Corporate Finance  
Corbett Keeling



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business valuation across  
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# Definitions and notes

## Definitions

### TEV - “Total Enterprise Value”

TEV is an economic measure reflecting the market value of a whole business independent of a business’ capital structure. The analysis in this document calculates TEV as follows:

- For transaction data, by reference to the target company of each transaction, from the transaction consideration, share of equity acquired, and other disclosed details such as the target’s net debt, as at the transaction date,
- For listed company data, from the listed share price of each company, together with known details of its capital structure including issued shares and net debt, as at the stated date.

### EBITDA - “Earnings Before Interest, Tax, Depreciation and Amortisation”

EBITDA is a business’ net income with interest, taxes, depreciation and amortisation added back which is often taken as a proxy for the cash generation rate of a business. The analysis in this document calculates EBITDA as follows:

- For transaction data, by reference to the target company of each transaction, from the most recent known historic 12 months’ reported value as at the transaction date,
- For listed company data, from the most recent known historic 12 months’ reported value as at the stated date.

### TEV/EBITDA - “TEV/EBITDA Multiple”

The TEV/EBITDA Multiple is calculated for each transaction where more than 40% of the target’s equity is sold or for each listed company where the required data is disclosed. Where appropriate, the analysis in this document uses weighted averages calculated as follows:

- For transaction data analysis, selected transaction TEV/EBITDA Multiples, within a given six month period, are weighted by reference to each transaction’s reported consideration or “transaction value”,
- For listed company data analysis, selected listed company TEV/EBITDA Multiples, on the stated date, are weighted by reference to each listed company’s TEV,
- Anomalous outlying data points are excluded.

### Size

The size classifications used in this document are Globalscope defined limits with respect to the value of the included transactions or listed companies as follows:

- For transaction data, transactions are included where the TEV of the target is disclosed and identified by Capital IQ as being greater than or equal to \$5m (All Market Transactions), or greater than or equal to \$5m and lower than or equal to \$150m (Lower-Mid Market Transactions).
- For listed company data, companies are included where there is a stock market listing, and a TEV of the company that is disclosed and identified by Capital IQ as being greater than or equal to \$5m (All Market Listed Companies), or greater than or equal to \$5m and lower than or equal to \$150m (Lower-Mid Market Listed Companies).

### Sectors

The sector classifications used in this document are Globalscope defined aggregations of similar business activities based on sub-sectors defined by reference to the primary Capital IQ industry classification as follows:

- For transaction data, the target company of each transaction,
- For listed company data, each listed company.

### Regions

The regional classifications used in this document are defined by reference to the Capital IQ regional classification as follows:

- For transaction data, the target company of each transaction,
- For listed company data, each listed company.

### Note on using multiples for business valuation:

It is important to note that TEV/EBITDA Multiples calculated as set out above and applied to the EBITDA of a typical lower-mid market business would, in the majority of cases, be expected to overstate the value of the business. This can in part be due to the net impact of a combination of the following factors:

- A discount may be applied due to reduced liquidity of shares in a lower-mid market business,
- A premium may be applied due to the additional value of owning a controlling equity share,
- A (perceived) lack of transparency with respect to a lower-mid market business’ affairs,
- “TEV” is based on forecast profits (which usually assume growth) whereas these multiples are based on historic profits.



## Globalscope Conference

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# New developments

## Valuation multiples at historic peak

2015 H2

### Synopsis

In the six months to December 2015 the global average Lower-Mid Market Transactions TEV/EBITDA Multiple has risen to 9.6, its highest value in the last six years. This latest business valuation indicator is based on an analysis of 22,038 transactions in the period, of which 23% were categorised as cross-border.

Consumer sector companies commanded the highest valuations, with Lower-Mid Market Transactions TEV/EBITDA Multiples averaging 11.0. This is in contrast to the Industrials sector where the average was 8.6; although this is also up on its previous value of 8.0 in 2015 H1.



## Network expansion and leadership change

Outgoing President welcomes latest member



### Synopsis

At the recent semi-annual conference in Shanghai, outgoing Globalscope president Michael Moritz announced Globalscope's newest member: Panamanian firm Insignia Financial Advisors.

José Rogelio Díaz, Partner Director of Insignia Financial Advisors commented:



José Rogelio Díaz  
Insignia Financial Advisors



*"We are very excited about joining Globalscope and being part of the successful expansion of the network globally. The professionalism, high level of service, independence and strong execution trajectory of the partner firms within Globalscope offers our clients a unique value proposition that combines local expertise with global reach in today's globalized economy. For Insignia, this marks a strong step forward in our strategic development; to cover the Central American region from our base office located in Panama. We look forward to adding value to our clients by exploring cross-border transactions as part of Globalscope."*

### New President

Michael Moritz celebrated the end of his three year tenure as President of Globalscope. He will be replaced by Russell D'Alba. Michael Moritz commented:

*"I am thankful for three very inspiring years as president of this great network and I am extremely proud of what we have achieved together. The quality of mid-market boutique firms in our network is outstanding and I would like to thank the members of the Globalscope board for their good cooperation, in which the network nearly doubled in size. We developed many initiatives that accelerated our marketing effort and improved the quality of interaction within our network and the quality of service for our clients."*



# Conference report

## Synopsis

The five day conference programme, hosted by Globalscope's member firm in Shanghai, HRS Consulting, was attended by 60 delegates from Globalscope's member firms.

The semi-annual conference included two tours of Shanghai, meetings with local business owners, and entrepreneurs, as well as a cultural walking tour through the Yuyuan Garden. Topics presented at the conference included: 'Investing in China', 'Engagement letters in the US', and 'Key Performance Indicators in M&A'.

## Host member firm:

The conference was hosted by HRS Consulting, a Chinese advisory firm with offices in Shanghai, Jiaxing, and Beijing. HRS covers a wide range of industries, supporting companies in M&A cross-border transactions, strategy, and market research.



## Headlines

Globalscope's M&A track record continues to gain momentum with the following headlines in the last six months:



### Greatest number of transactions:

CatCap (*Germany*) reported 7 deals completed in the last 6 months.

### Largest transaction:

CatCap (*Germany*) for their transaction with Deutsche Beteiligungs AG and Telio Group.

### Intra-Globalscope deal:

VICF (*Czech Republic*) and CatCap (*Germany*) which advised Messe Düsseldorf, a German trade fair company, on the sale of its majority shares in Veletrhy Brno, a Czech trade fair company.



## Comment



Russell D'Alba  
Globalscope President

*"It is a great honour to have been appointed President of Globalscope Partners. I would like to thank Michael Moritz for his time as President and his great work in developing the network. I would also like to thank Hervé Le Roy for his contributions to the Globalscope board and welcome Jim Keeling as newly appointed board member. We are delighted to welcome Insignia Financial Advisors as new member."*



## Next

The next Globalscope conference will be held in Dallas in September 2016.

# Global M&A market landscape

Thousands of M&A transactions all across the globe are closed in any given six month period.

Transaction data, such as the latest published EBITDA and the TEV (see definitions on page 3) at the time of sale of the target company, are sometimes published. These data can be used to calculate average transaction TEV/EBITDA Multiples i.e. the average TEV/EBITDA Multiple across all transactions for which data is disclosed for each six month period.

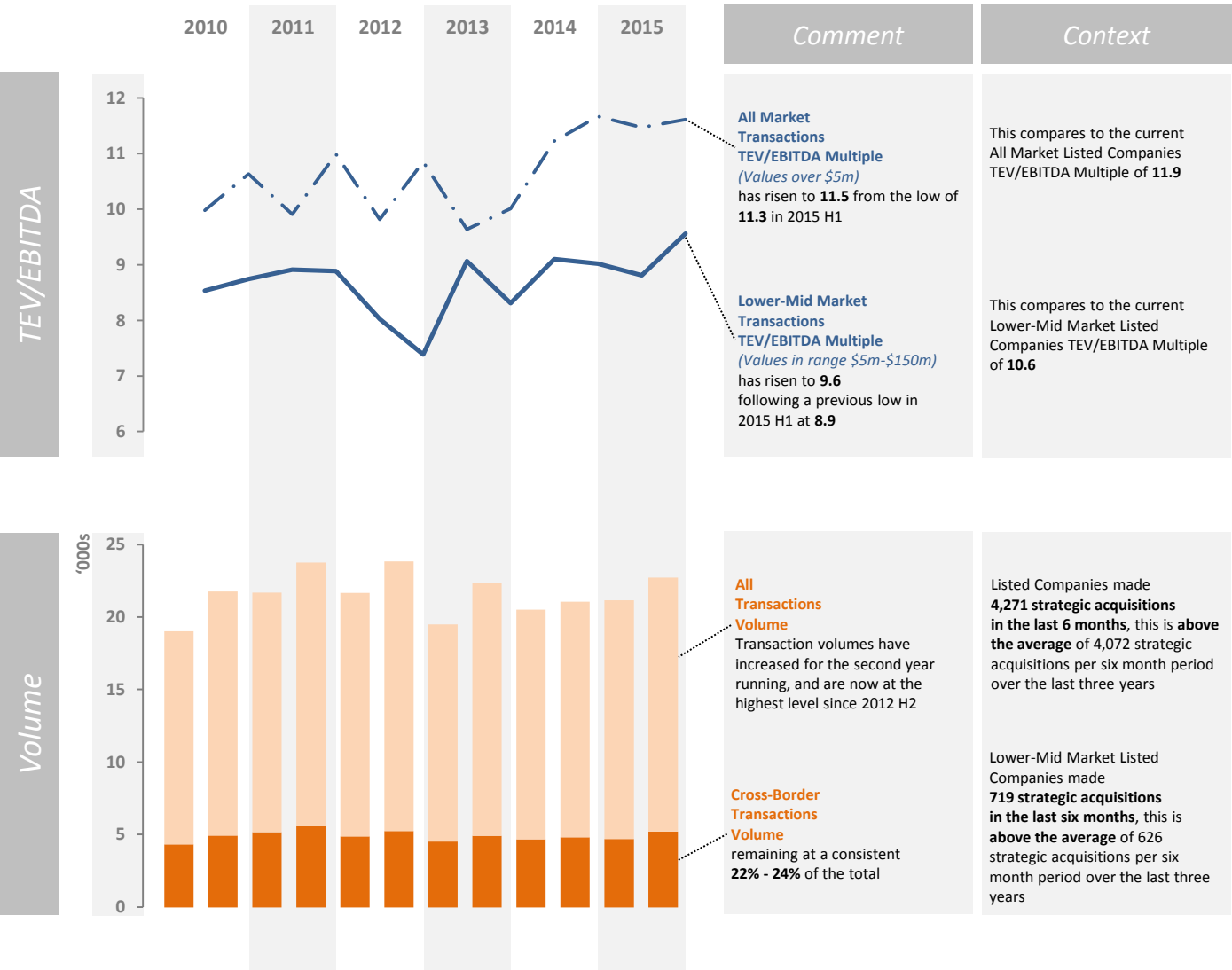
Across a large enough sample of transactions, these average TEV/EBITDA Multiples are a useful tool for assessing global valuation trends, as set out in the first chart below.

## All Market Transactions

Dot-dash lines show average data from all disclosed transactions where the transaction value was at least \$5m. The resulting All Market Transactions TEV/EBITDA Multiple, which can be used as a proxy for the M&A market as a whole, shows a plateau after the recent rise in average EV/EBITDA values.

## Lower-Mid Market Transactions

Solid lines show average data from all disclosed transactions where the transaction value was at least \$5m but no greater than \$150m. The resulting Lower-Mid Market Transactions TEV/EBITDA Multiple shows a slight increase in line with the market as a whole.





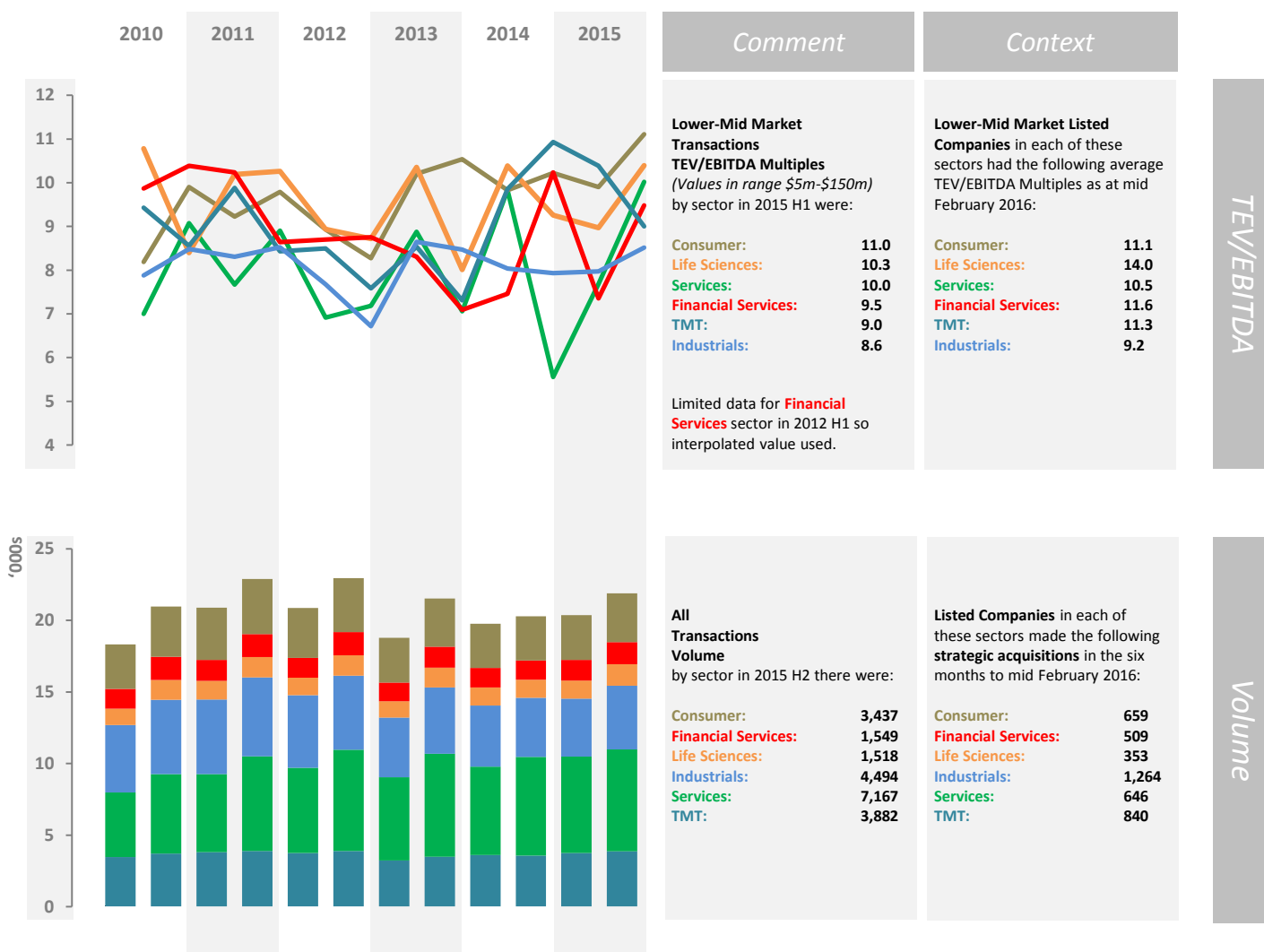


## Lower-mid market sector highlights

The following charts show global Lower-Mid Market Transaction TEV/EBITDA Multiple trends of six underlying sectors as identified and tracked by Globalscope.

Each of these average TEV/EBITDA Multiple data points represent transactions involving target companies operating in broadly the same sectors, wherever they were located across the globe, where the target company's enterprise value was at least \$5m but no greater than \$150m.

Generally these data are significantly more volatile than the global average as they are based on fewer transactions and global events may affect each sector differently.







## Regional Valuation Statistics

*Country by country and region by region analysis  
of business valuation statistics*

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# Transactions data by region

## All Market Transactions (dot-dash lines)

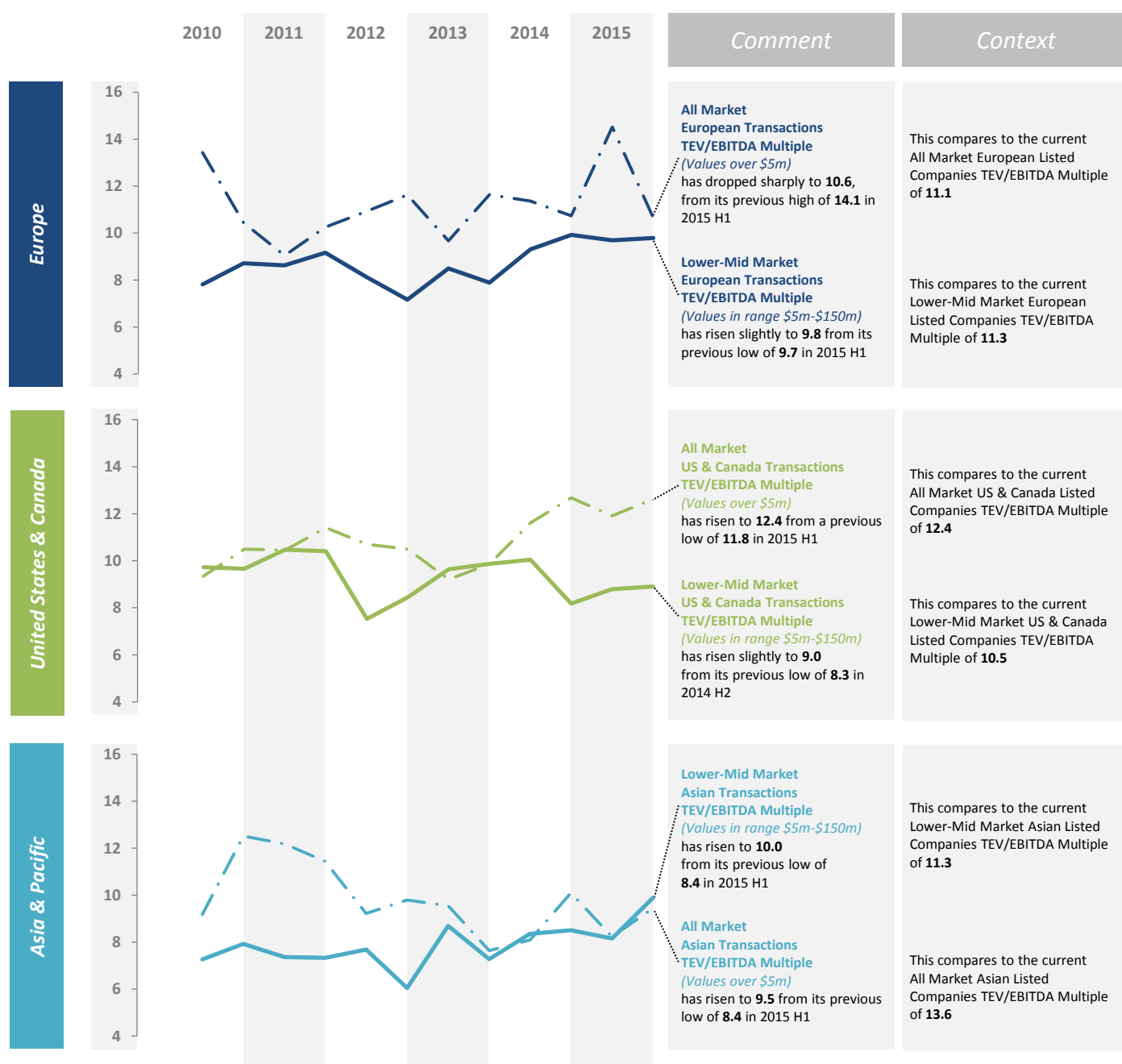
Dot-dash lines show average TEV/EBITDA Multiple data from all disclosed transactions where the transaction value was at least \$5m and the target location was recorded in one of the five global regions.

The data show Europe returning to trend following a sharp peak in 2015 H1.

## Lower-Mid Market Transactions (solid lines)

The solid line shows average TEV/EBITDA Multiple data from all disclosed transactions where the transaction value was at least \$5m but no greater than \$150m and the target location was recorded in one of the five global regions.

Other than Latin America and Asia & Pacific which have both risen, the data show only small variations in value from the prior period.



Data supplied by:



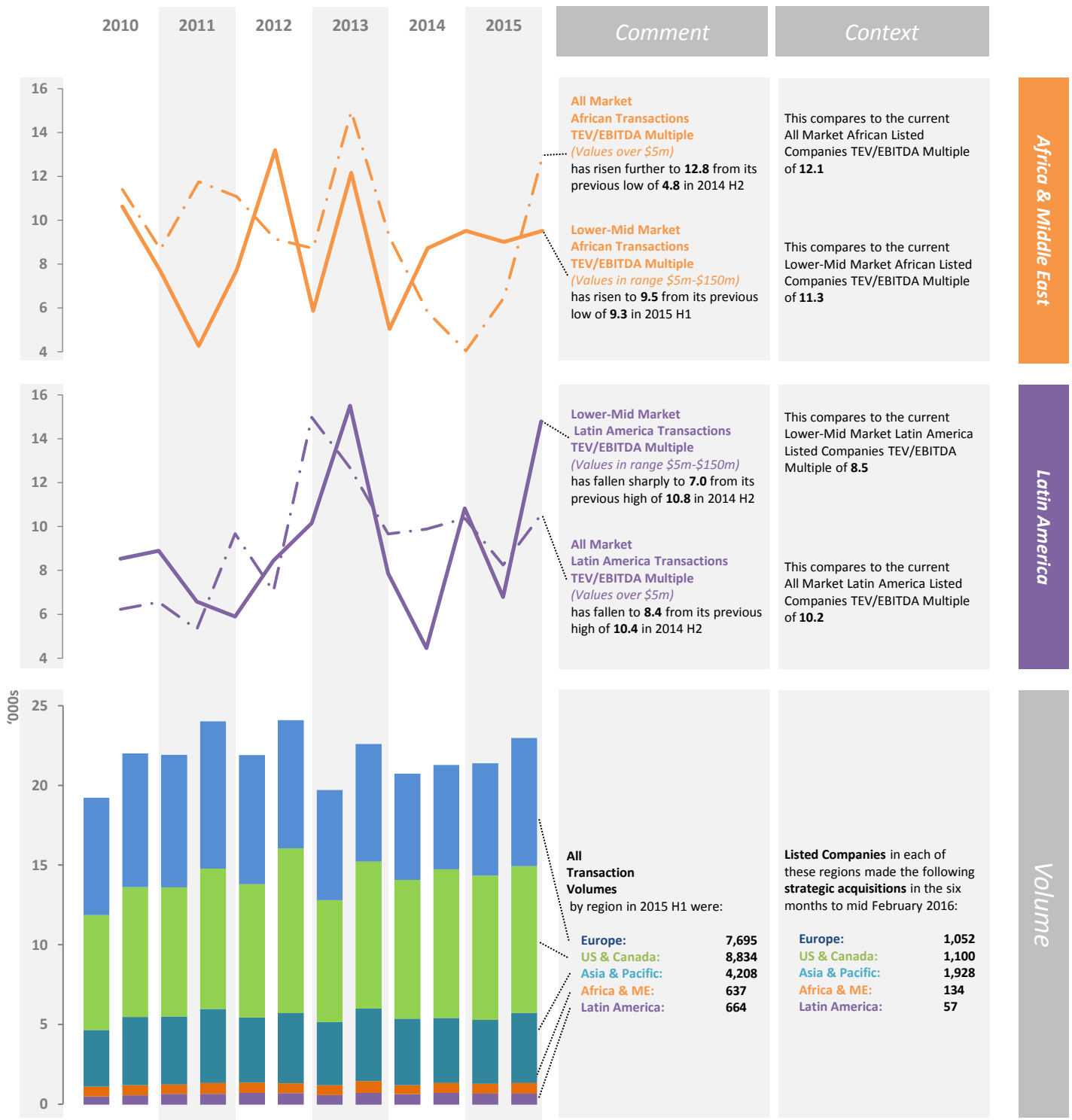
Data analysed by:

GLOBALSCOPE





Africa & Middle East and Latin America lower-mid market transaction data are more scarce than those for the other regions. As such these average transaction multiples are significantly more volatile and are included for completeness as much as for providing a guide to valuation trends in these regions.



Data supplied by:



Data analysed by:

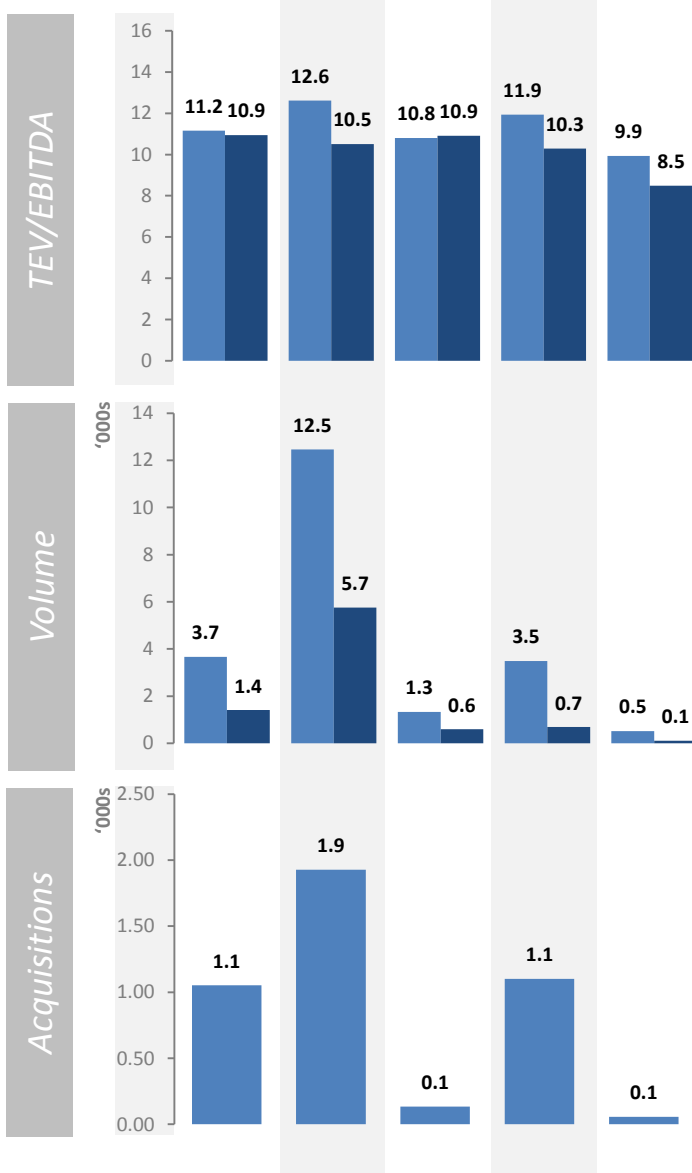
GLOBALSCOPE

# Listed companies data by region

Listed companies' TEVs are calculated from each company's current share price (which reflects the market's expectation of future EBITDA performance).

The EBITDA figures used to calculate the Listed Company TEV/EBITDA Multiples shown here are the reported EBITDA values of each company for the last 12 months (LTM) – this gives TEV/EBITDA Multiples more directly comparable to Transaction TEV/EBITDA Multiples than if forecast (NTM) EBITDA is used. A discount should be applied if using these figures for a valuation of a growing business, which would normally use forecast performance data.

As at:  
mid February 2016



## All Market Listed Companies (light)

The light blue bars show average data from listed companies with TEV of at least \$5m. The results can be used as proxies of TEV/EBITDA Multiples for the current market as a whole.

## Lower-Mid Market Listed Companies (dark)

The dark blue bars show average data from listed companies with TEV of at least \$5m but no greater than \$150m. The results can be used as proxies of TEV/EBITDA Multiples for the current lower-mid market as a whole.

Comment	Context
<b>All Market Listed Companies TEV/EBITDA Multiple (Values over \$5m)</b> is highest in Asia & Pacific at <b>12.6</b> , 27% higher than the lowest in Latin America of <b>9.9</b>	This compares to the global total All Market Listed Companies TEV/EBITDA Multiple of <b>11.9</b>
<b>Lower-Mid Market Listed Companies TEV/EBITDA Multiple (Values in range \$5m-\$150m)</b> is highest in Europe at <b>10.9</b> , 29% higher than the lowest in Latin America of <b>8.5</b>	This compares to the global total Lower-Mid Market Listed Companies TEV/EBITDA Multiple of <b>10.6</b>
<b>All Market Listed Companies Volume (Values over \$5m)</b> is significantly higher in Asia & Pacific than anywhere else at <b>12,465</b>	The global total number of All Market Listed Companies is <b>21,461</b>
<b>Lower-Mid Market Listed Companies Volume (Values in range \$5m-\$150m)</b> is again particularly low in Latin America at <b>111</b>	The global total number of Lower-Mid Market Listed Companies is <b>8,540</b>
<b>All Market Listed Companies Acquisitions (Values over \$5m)</b> <b>Acquisitions in last six months</b> is highest in Asia & Pacific in absolute terms at 1,928 acquisitions, but highest in the US & Canada on an acquisitions per Listed Company basis at 32%, compared to Africa & ME's 10%	In total there were 4,045 strategic acquisitions by All Market Listed Companies in the six months to mid February 2016.  These compare to All Market Transaction Volumes in 2015 H2 by region of (in '000s):  Europe: 7.7 Asia & Pacific: 4.2 Africa & ME: 0.6 US & Canada: 8.8 Latin America: 0.7



The following data are compiled for each sub-region with a Globalscope member presence for which statistics are available.

		Globalscope Offices	All Market Listed Companies (Values over \$5m)	Lower-Mid Market Listed Companies (Values in range \$5m-\$150m)		
As at: mid February 2016 2015			Number listed	TEV/EBITDA Multiples	Number listed	TEV/EBITDA Multiples
Europe	British Isles	2	833	12.1	265	11.8
	East Europe	7	507	8.0	358	9.4
	North Europe	5	714	11.3	263	11.2
	South Europe	6	435	10.9	148	10.9
	West Europe	10	1,178	10.8	369	11.4
	Total Europe	30	3,667	10.8	1,403	10.9
USA & Canada	Canada	5	595	11.8	228	9.3
	United States	6	2,705	12.0	323	10.8
	Others	-	187	9.5	133	10.6
	United States and Canada	11	3,487	11.9	684	10.3
Asia & Pacific	Indian Ocean	4	1,930	14.5	1,229	12.1
	North & East Asia	5	7,699	12.6	2,997	10.1
	Pacific	5	2,836	11.8	1,523	10.5
	Total Asia / Pacific	14	12,465	12.7	5,749	10.6
Africa & Middle East	Africa	-	531	10.5	270	9.7
	Middle East	1	796	10.9	324	11.7
	Total Africa / Middle East	1	1,327	10.8	594	10.8
Latin America	Brazil	1	201	8.9	41	7.4
	Uruguay	1	-	-	-	-
	Others	1	314	10.8	69	9.1
	Latin America	3	515	9.9	110	8.5







## Sector-Specific Analysis

*A closer look at the underlying sector-specific structural drivers, new developments, recent M&A and projections*

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Technology, Media & Telecoms (TMT)	27

## The sector M&A landscape

During the Shanghai 2016 Globalscope conference, the network's global Consumer sector team met to discuss recent transactions and the evolving underlying structural drivers of the global sector M&A landscape.

A key theme is the consolidation of businesses in the sector in the face of uncertain consumer demand. More details can be obtained from team members or regional heads – see contact details below.

### Sector themes

#### Move to emerging markets

Large and more developed companies in the food sector have moved to invest more in developing economies, citing encouraging prospects for growth as M&A deals have continued to emerge.

#### Chinese consumers seeking new goods

Due to the growing disposable income of Chinese consumers, the demand for premium products in China has increased significantly.

#### Consumers embracing digital techniques

More consumers than ever before are using the internet to buy products, check for quality, and to announce any issues they may have with their purchases. This means companies are having to invest more in customer relations and take greater care when responding to feedback.

#### Consolidation a key theme

Large food and beverage companies are looking to acquire businesses that have spent time and resource entering new and expanding markets. This includes functional and high-protein foods aimed at the social media generation.

### Notable recent transactions

#### Kellogg's international outreach

Kellogg's purchase of Bisco Misr and Mass Food Group in Egypt further advances Kellogg's investments in emerging markets.

#### Anheuser-Busch InBev buys out SABMiller

Belgian brewer Anheuser-Busch InBev is set to buy out its UK competitor SABMiller consolidating its position in the market. The combined company will produce approximately one third of the entire world's beer.

#### JBS SA Acquires Moy Park

Sao Paulo-based JBS SA, the world's largest meat packager, has acquired Moy Park, the European poultry unit of local rival Marfrig Global Foods SA in a deal worth \$1.5 billion.

### Lower-mid market observations

#### Changes in consumer food demand

Changing consumer habits have encouraged businesses to acquire a wider share of the market. For example a higher demand for natural goods encouraged the acquisition of firms like Dave's Killer Bread and Alpine Valley Bread Co. by baked goods giant Flowers Foods.

#### Private equity faces stiffer competition

Private Equity firms are facing greater competition as smaller food companies are increasingly acquired by larger companies in the sector, rather than seeking private equity investment.

### Sector contacts



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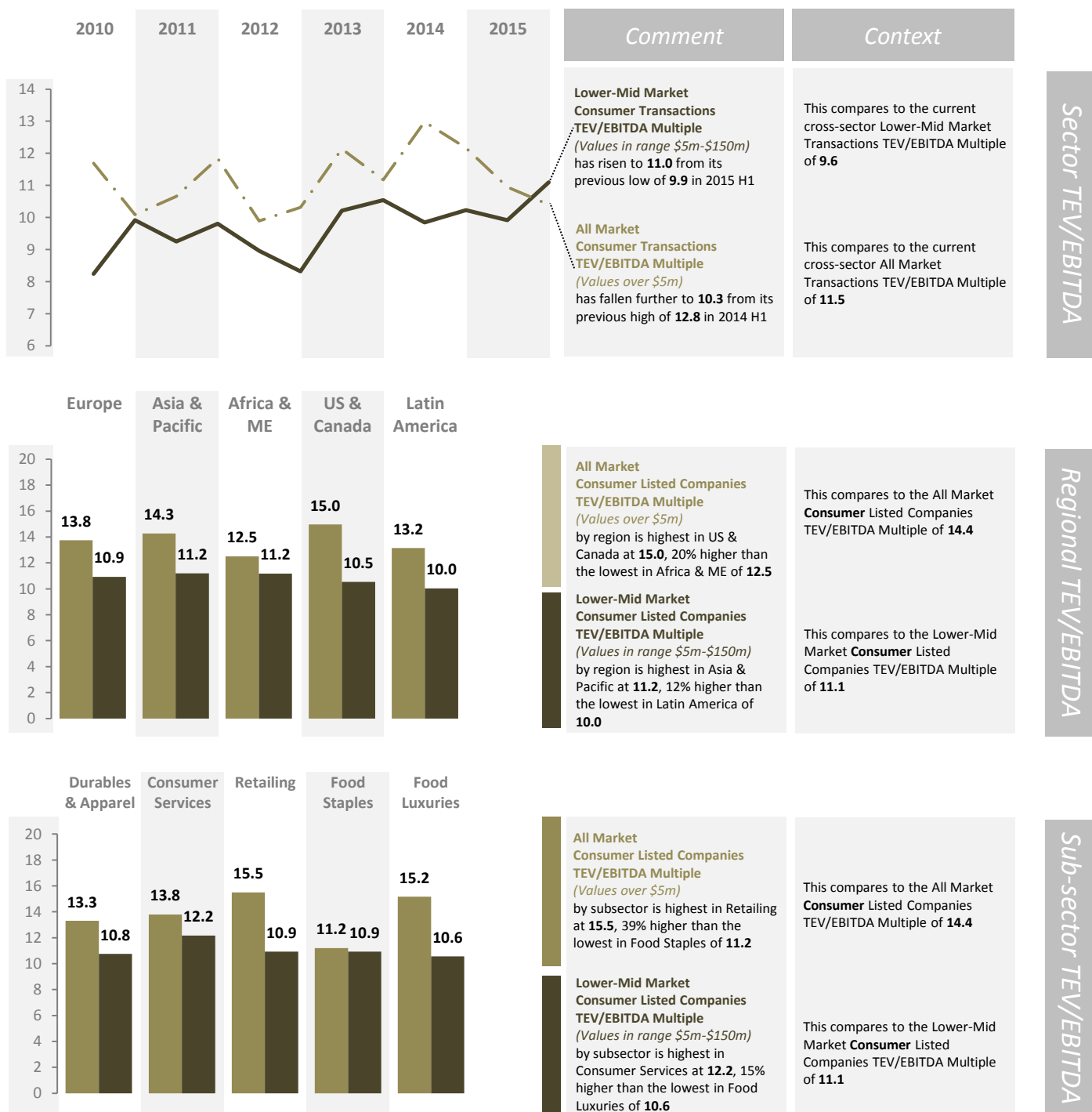


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# M&A trends & market analysis

The following data are compiled specifically for the Consumer sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid February 2016.



## The sector M&A landscape

During the Shanghai 2016 Globalscope conference, the network's global Financial Services sector team met to discuss recent transactions and the evolving underlying structural drivers of the global sector M&A landscape.

A key theme is the shifting regulatory atmosphere. More details can be obtained from team members or regional heads – see contact details below.

### Sector themes

#### New regulations coming into force

As Solvency II comes into force for insurance companies new capital requirements will be introduced impacting positively on M&A deals. This is particularly true in Europe which currently has relatively low capital requirements.

#### Release of tied up capital

Because of Basel III and IFRS 9 banks are expected to divest a significant proportion of their loan books (particularly non-core and non-performing loans) which will release previously constrained capital, this is likely to be a huge driver of new M&A activity.

#### Rise of disruptive forces

New technologies are bringing noticeable changes to existing infrastructure. Peer-to-peer networks are becoming more prominent in the banking sector, whilst the insurance industry is experiencing the introduction of new digital underwriting solutions.

#### High levels of FinTech interest

Another major move in the banking sector is a surging interest in FinTech. Banks are very keen to investigate the space and some of major banks are seeking acquisition targets within FinTech as the pressures surrounding the need for faster and cross-border payments increase.

### Notable recent transactions

#### Bank of Tokyo buys into Philippines Security Bank

Bank of Tokyo Mitsubishi UFJ has bought a 20% stake in Philippines' Security Bank for \$780 million. This deal would be the biggest equity investment by a foreign investor in the Philippine lender.

#### BB&T acquires Susquehanna & Bank of Kentucky

The BB&T Corporation made moves to acquire Susquehanna and Bank of Kentucky late last year, in addition to making moves to obtain National Penn Bancshares later this year for an estimated \$1.8 billion.

#### CIT Group acquires OneWest Bank

CIT Group has acquired Pasadena-based OneWest Bank for \$3.4bn. OneWest offers home loans, wealth management and other services. OneWest will retain its brand but operate under the CIT Bank Division.

### Lower-mid market observations

#### Fintech opportunities continue to grow

The Fintech industry in Europe is developing rapidly, with angel investors and venture capitalists competing for opportunities, there is a vibrant fund raising scene.

#### European banks are losing ground

There has been a recent trend of European investment banks attempting to decrease their overheads by removing staff, leaving top US banks such as Goldman Sachs and JP Morgan in an increasingly dominant position.

#### Disintermediation

Because of tighter capital requirements banks will continue to restrict their lending activity, this fuels the establishment of numerous new lending vehicles, providing senior and junior lending, but also increasing activity within leasing and consumer finance, which will increase M&A and capital raising activity.

### Sector contacts



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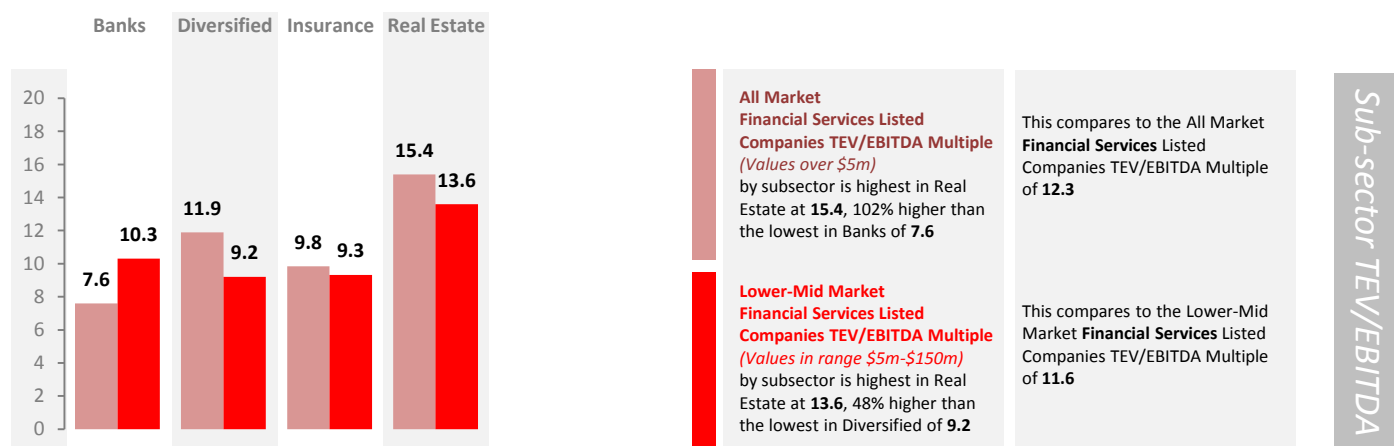
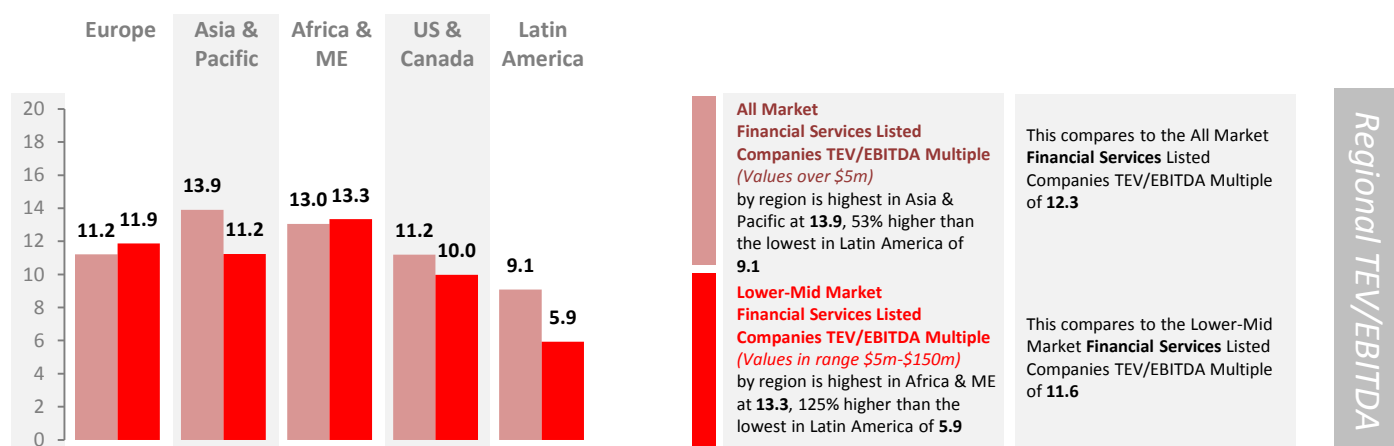
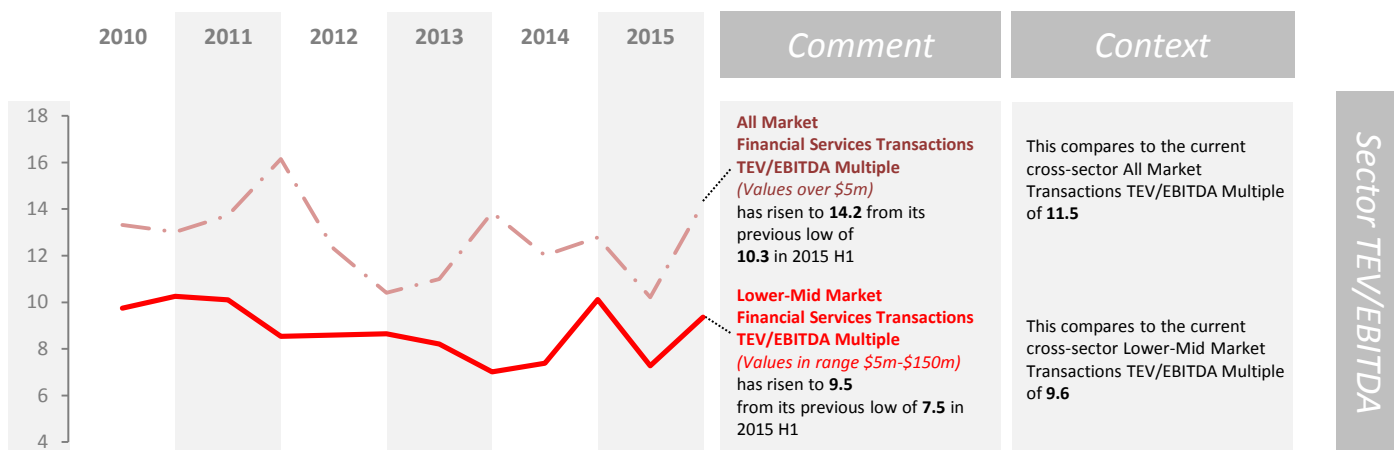


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# M&A trends & market analysis

The following data are compiled specifically for the Financial Services sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid February 2016.



## The sector M&A landscape

During the Shanghai 2016 Globalscope conference, the network's global Life Sciences sector team met to discuss recent transactions and the evolving underlying structural drivers of the global sector M&A landscape.

A key theme is the continuing move towards patient-centric views within the healthcare sector. More details can be obtained from team members or regional heads – see contact details below.

### Sector themes

#### Cost controls drive search for growth

Reforms to the medical sector in mature and developed markets, designed to limit costs and secure value for money, are expected to hit life sciences businesses the worst, requiring companies to seek new avenues for growth.

#### Patent cliff encouraging acquisition

Pharmaceutical executives are eager to acquire fast growing businesses to demonstrate growth in response to the \$17 billion that will be lost from expiring patents, as estimated by PwC. At the same time, consolidation requires corporates to align and focus their product portfolios.

#### New technology linking patients

New technologies, such as wearables, are enabling healthcare professionals to make greater use of the array of health data available, and interest is growing as they are set to begin entering the commercialisation phase, further shifting the industry towards more patient-centric models of care.

### Notable recent transactions

#### Pfizer merges with Allergan

Pfizer, the giant US Pharmaceutical company, announced a merger with its Irish counterpart Allergan in November. This would make it the second largest M&A deal ever. After completing the merger Teva is likely to acquire the Allergan generics business.

#### Shire finally acquires Baxalta

After appealing to Baxalta's shareholders, Shire was finally able to acquire the company late last year in a deal estimated to be worth approximately \$32 billion.

#### Kaiser buys Group Health Cooperative

The giant healthcare provider Kaiser Permanente has acquired the Group Health Cooperative granting them access to over half a million new customers and opening their business to a new region of the country.

### Lower-mid market observations

#### Collaboration in developing economies

The general cost of rising healthcare and pharmaceuticals has encouraged a number of businesses in developing economies to collaborate to help support access to the latest medical developments.

#### Cost of speciality drugs increase

A decrease in the number of mainstream drugs entering the market has supported prices, going against the trend of pressures to reduce costs. For example, PCSK9 inhibitors, a new drug designed to lower cholesterol levels, are entering the market at approximately \$14,000 a year.

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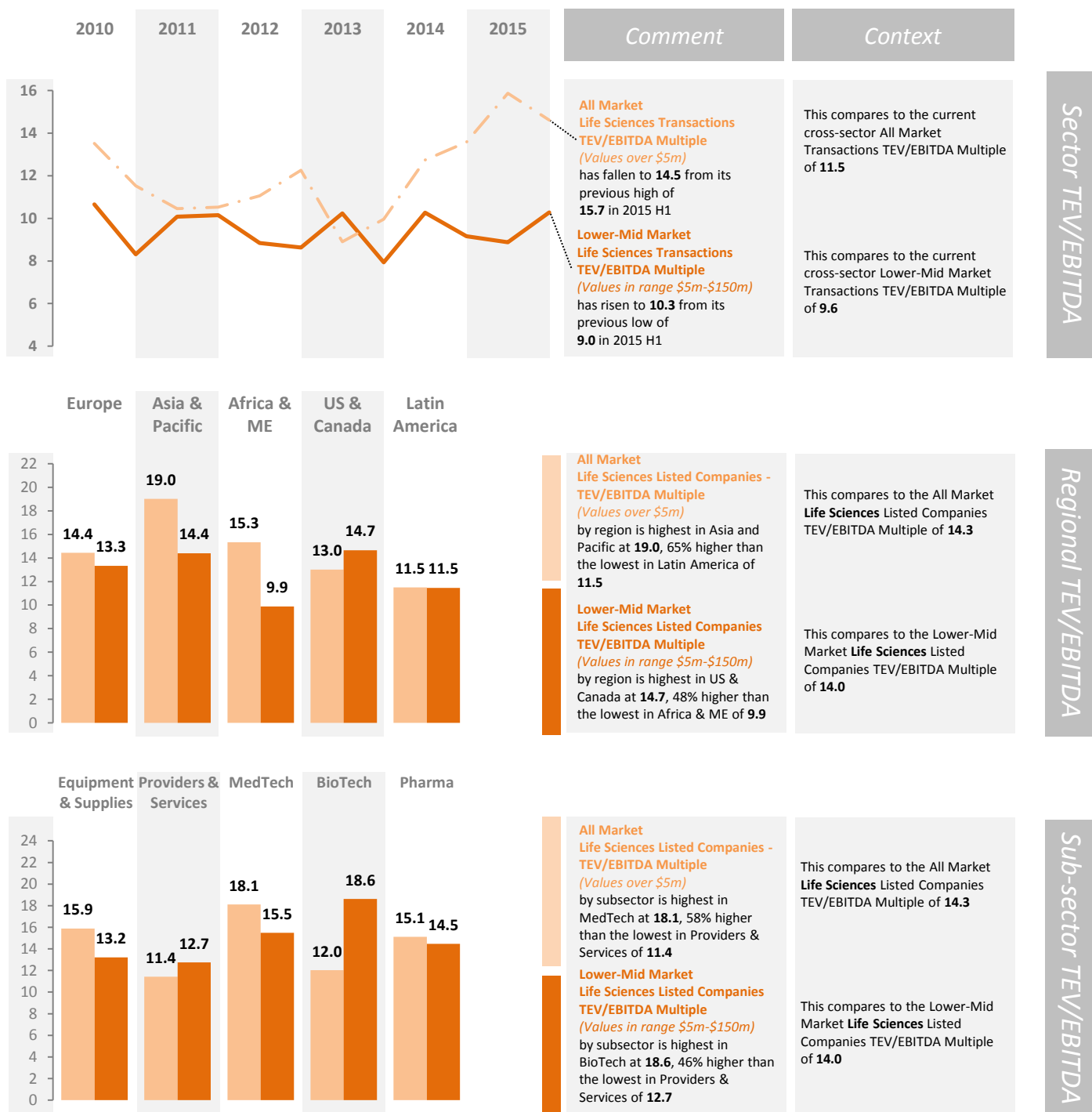


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# M&A trends & market analysis

The following data are compiled specifically for the Life Sciences sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid February 2016.



## The sector M&A landscape

During the Shanghai 2016 Globalscope conference, the network's global Industrials sector team met to discuss recent transactions and the evolving underlying structural drivers of the global sector M&A landscape.

A key theme is the changing use of fossil fuels, which is dramatically altering the industrials sector. More details can be obtained from team members or regional heads – see contact details below.

### Sector themes

#### Changing exchange rates

The increasing value of the dollar against the yen is expected to have a significant impact on the sector by weakening US manufacturers such as General Motors, Ford, and Chrysler in favour of Japanese rivals Toyota, Nissan, and Honda.

#### Oil Prices remain volatile

Oil prices have collapsed by 60 per cent of their value from 2014, to below \$40 per barrel and it seems this trend will continue with uninterrupted production from the gulf oil states.

#### The continuing decline of coal

In the aftermath of the Paris agreement, countries are moving away from using coal as a fuel source. This trend seems likely to continue and at present over 25% of the world's coal reserves cost more to extract than they are worth.

### Notable recent transactions

#### Shell gains approval for BG group acquisition

The EU has approved Shell's acquisition of the BG group, in a deal worth approximately \$70 billion which will make Shell the world's biggest liquefied natural gas trader.

#### Berkshire Hathaway buys Precision Castparts Corp

Warren Buffett's company, Berkshire Hathaway, has acquired Precision Castparts Corp., the aerospace and energy industries business, in a deal that is estimated to be valued at \$37 billion.

#### Port City Group merges with Pace Industries

Port City Group's merger with Pace Industries, North America's largest full-service aluminium, zinc, and magnesium die casting company, is an example of the record breaking number of automobile M&A deals.

### Lower-mid market observations

#### 3D printing reshaping operations

The emergence of 3D printing has affected companies within the industrial sector by reshaping their operations on the factory level. Though the concept is in its early days, it has the potential to present many opportunities to businesses.

#### Expanding recruitment services

Companies looking to grow are facing difficulties in locating new people as many are shunning manufacturing jobs and looking elsewhere. Extra-investment in recruitment is being used to mitigate this problem.

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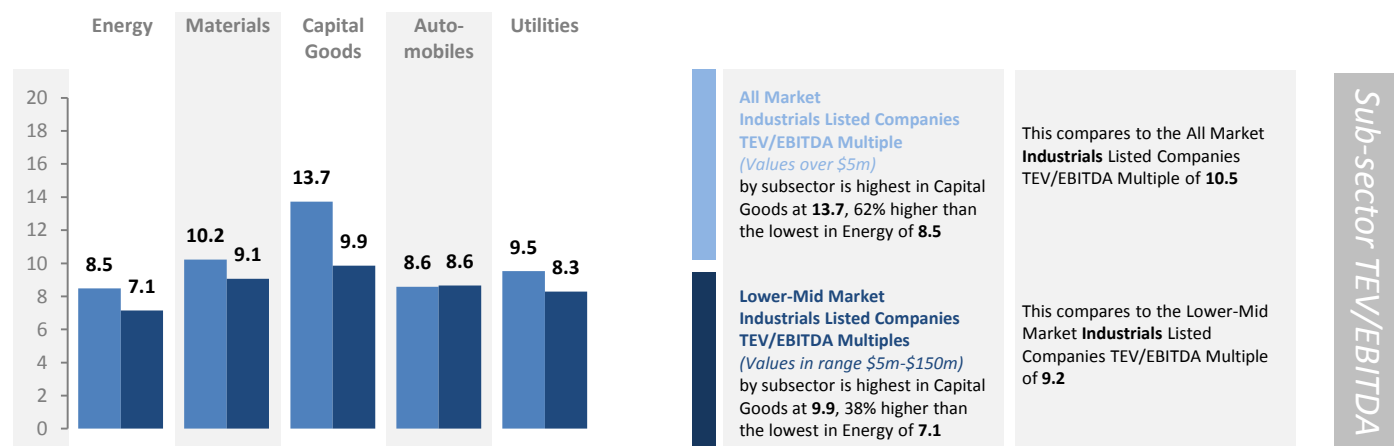
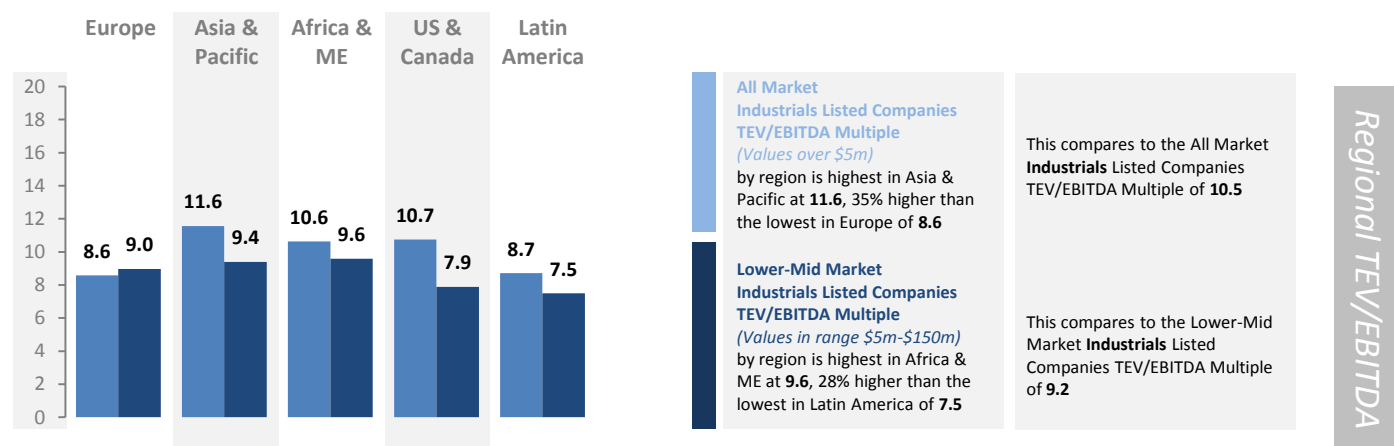
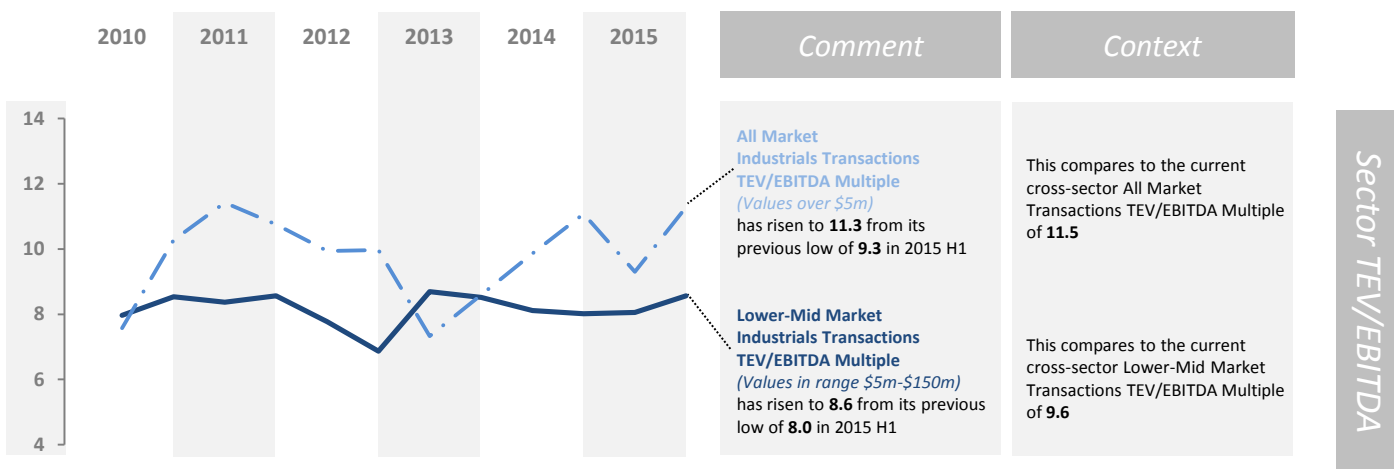
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# M&A trends & market analysis

The following data are compiled specifically for the Industrials sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data, and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid February 2016.



## The sector M&A landscape

During the Shanghai 2016 Globalscope conference, the network's global Services sector team met to discuss recent transactions and the evolving underlying structural drivers of the global sector M&A landscape.

A key theme is the increase in various internal reforms designed to help businesses capitalise as the global economy returns to growth. More details can be obtained from team members or regional heads – see contact details below.

### Sector themes

#### Changing business structures

Services companies are trending towards alternative structures, for example accountancy practices and non traditional law firms are beginning to offer legal services.

#### Increase in recruitment

As the market returns to growth, Services firms are looking to expand and increase their headcount to meet demand and offer better services to their clients.

#### Changing technology

Technology is constantly advancing in ways that radically alter how the Services sector behaves. Shifting to online cloud platforms enables programmes to do more behind the scenes, allowing advisors to spend more time as advisors and with greater security.

### Notable recent transactions

#### Systra acquires JMP Consultants

Systra has made moves to acquire JMP Consultants Limited, a major transport consultancy. This move aims to secure its position in the UK by expanding its consultancy services and extending its portfolio of clients and partners.

#### Cosco and China Shipping Group merge

Cosco is set to merge with China Shipping Group in a move that will create a new state regulated business, led by the existing chairman of the China Shipping Group.

#### Four Communications acquires Consolidated PR

Four Communications has finalised its acquisition of Consolidated PR Limited. Four Communications Group now holds offices in London, Edinburgh, Abu Dhabi, and Dubai with turnover of £25 million.

### Lower-mid market observations

#### Increasingly competitive market

The large number of acquisitions by the big four accounting firms has allowed them to develop into a one-stop-shop for consulting services. This is placing increasing pressure on small firms, making the lower-mid market increasingly competitive.

#### PR M&A led by independent firms

The vast majority of M&A deals in the PR sector have been undertaken by independent firms that are hoping to grow either their geographical presence, or their services.

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# M&A trends & market analysis

The following data are compiled specifically for the Services sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data, and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid February 2016.



## The sector M&A landscape

During the Shanghai 2016 Globalscope conference, the network's global Technology, Media & Telecoms (TMT) sector team met to discuss recent transactions and the evolving underlying structural drivers of the global sector M&A landscape.

A key theme is the fundamental importance of cyber security in the pervasive Internet of Things environment. More details can be obtained from team members or regional heads – see contact details below.

### Sector themes

#### Development of “Unicorns”

The sector has witnessed the emergence of “unicorns”, private businesses valued at over \$1 billion. Of the 180 unicorns globally, 40 are based in China. The total number is only likely to increase as innovation and development continues.

#### Internet of Things continues to grow

According to Cisco, the number of connected devices is likely to increase to 50 billion by 2020 and as a result companies that supply and support such connections are expected to remain at the forefront of the sector.

#### TMT opportunities for growth in 2016

Cognitive computing/AI/machine learning/robotics, big data analytics, cloud computing and the rapidly growing Internet of Things are transforming businesses worldwide – and are areas where significant investments are being made. Moreover, there is substantial investment in blockchain technology & applications, which will become apparent in 24 months.

### Notable recent transactions

#### Dell acquires EMC

EMC, founded as a data storage company, but increasingly transforming into a software company, was acquired by Dell in October 2015, in one of the largest technology mergers in history, valued at around \$68 billion dollars.

#### Informatica delisting to evolve

Microsoft and Salesforce joined the \$5.3 billion buyout of Informatica. Now as a private company with a long view measured in years, not quarters, Informatica will have more flexibility and more time to evolve its business model.

#### Charter and Times Warner merger delayed

Late in May, Charter Communications (a broadband provider) planned to merge with Time Warner Cable in a deal worth \$79 billion, however the deal has been delayed as federal regulators scrutinise the decision.

### Lower-mid market observations

#### Midsized firms see IT investments as strategic

Software vendors provide their customers with the tools to realise hybrid architectures, which makes it easier, particularly for midsized companies, to implement best of breed software and combinations.

#### Touch commerce gains footing

Retail companies are benefiting from the development of touch commerce enabling almost instant payment when purchasing products, circumventing the sometimes 80% “in cart” abandonment rate that is often blamed on cumbersome payment systems.

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# M&A trends & market analysis

The following data are compiled specifically for the TMT sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid February 2016.

