



## I. CONTINUING M&A MOMENTUM IN 2018

Despite recent volatility in global stock markets, the strong underlying fundamentals of the global economy will continue to support the current rise in total global M&A activity.

Total transaction value is forecasted to increase 23% to \$3.2 trillion in 2018. Additionally the Tax Cuts and Jobs Act recently signed by President Trump in December 2017 will continue to drive merger and acquisition activity for US companies. Following the reduction in the corporate tax rate, repatriation of an estimated \$4 trillion in offshore cash balances and easing of antitrust oversight, US firms will be in a stronger and more competitive position to make further acquisitions spurring on an active M&A market. Further, a record of high of \$453bn was raised by private equity funds in 2017 globally with 84% targeted for North America and Europe.

In 2017 the total M&A transaction volume was \$2.6 trillion globally. This represents a 5% decrease from 2016 levels of \$ 2.8 trillion. The European region saw the largest decrease of 9.2% which can be attributed to uncertainty in the UK Market post Brexit. The Asian region reported the highest increase in transaction value with an increase of 2.7% in 2017. The sectors with the highest transaction volume in 2017 were Industrials, Information Technology and Consumer Discretionary.

Chart I: *Private Equity Aggregate Capital Raised (\$bn) 2017*

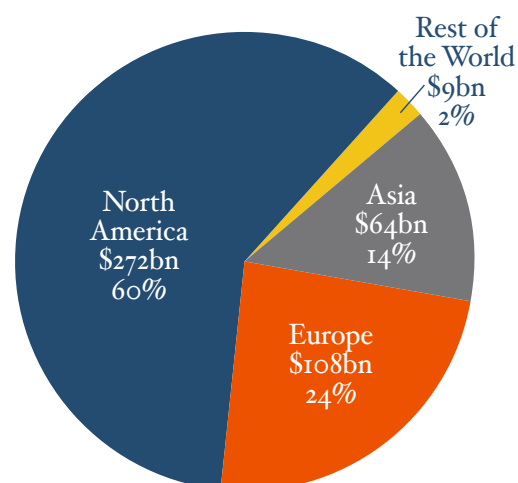
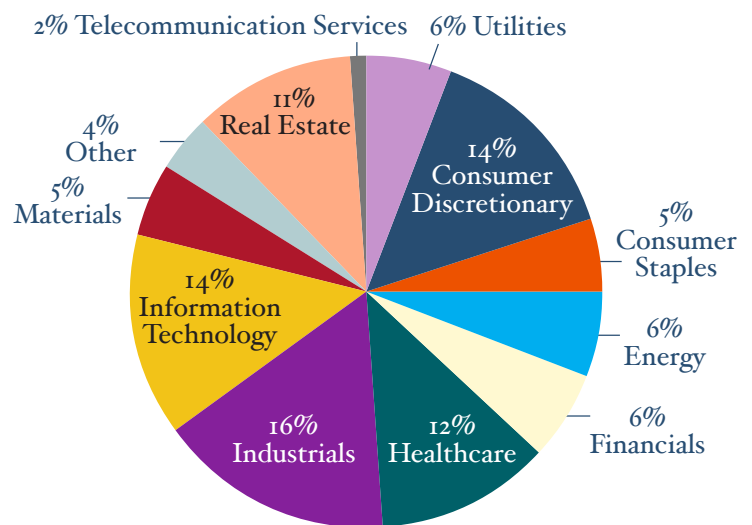


Table I: *1st Quarter Global M&A Activity 2015-2017*

Region	2015		2016		2017	
	Value (\$m)	Volume	Value (\$m)	Volume	Value (\$m)	Volume
Asia / Pacific	809,944	10,934	608,004	11,985	624,329	11,282
United States and Canada	1,563,415	12,897	1,349,878	11,966	1,247,606	11,461
Europe	720,095	14,052	678,814	13,986	616,357	13,255
Africa / Middle East	37,548	1,505	50,111	1,380	47,734	1,365
Latin America and Caribbean	89,504	1,434	83,245	1,206	81,445	1,079
<b>Total</b>	<b>3,220,506</b>	<b>40,822</b>	<b>2,770,053</b>	<b>40,523</b>	<b>2,617,470</b>	<b>38,442</b>

During the first month and a half of 2018 there have been a number of large transactions announced across a range of industries suggesting there is considerable opportunity in the market. The largest transaction of 2018 is the announced \$15.5bn acquisition in the United States of Scana Corporation (Utilities) by Dominion Energy. Three of the top ten acquisitions have taken place in the Healthcare industry including Sanofi's \$11.5bn acquisition of Bioerativ Inc., Celgene Corporation's \$9.3bn acquisition of Juno Therapeutics Inc. and Celgene Corporation's \$7bn acquisition of Impact Biomedicines. Of the top 10 acquisitions in 2018, seven have been acquired by companies based in the United States. This trend could continue as US firms look to take advantage of recent tax reforms.

**Chart II: Total M&A Transaction by Sector 2017**



**Table II: Top 10 Announced Global M&A Transactions in 2018**

M&A Announcement Date	Target	Total Transaction Value (\$m)	Buyers	Country of Incorporation (Target)	Country of Incorporation (Buyers)	EBITDA Multiple	Primary Sector (Target)
01/03/2018	SCANA Corporation (NYSE:SCG)	15,550	Dominion Energy, Inc. (NYSE:D)	United States	United States	9.11	Utilities
01/22/2018	Bioerativ Inc. (NasdaqGS:BIVV)	11,474	Sanofi (ENXTPA:SAN)	United States	France	24.74	Healthcare
02/12/2018	CSRA Inc. (NYSE:CSRA)	9,785	General Dynamics Corporation (NYSE:GD)	United States	United States	11.54	Information Technology
01/22/2018	Juno Therapeutics, Inc. (NasdaqGS:JUNO)	9,305	Celgene Corporation (NasdaqGS:CELG)	United States	United States	-	Healthcare
01/20/2018	Hindustan Petroleum Corporation Limited (BSE:500104)	9,248	Oil and Natural Gas Corporation Limited (NSEI:ONGC)	India	India	6.96	Energy
01/07/2018	Impact Biomedicines, Inc.	7,000	Celgene Corporation (NasdaqGS:CELG)	United States	United States	-	Healthcare
01/17/2018	UBM plc (LSE:UBM)	6,278	Informa plc (LSE:INF)	Channel Islands	United Kingdom	16.72	Discretionary
01/16/2018	VICI Properties Inc. (NYSE:VICI)	5,855	MGM Growth Properties LLC (NYSE:MGP)	United States	United States	-	Real Estate
01/11/2018	DST Systems, Inc. (NYSE:DST)	5,752	SS&C Technologies Holdings, Inc. (NasdaqGS:SSNC)	United States	United States	11.2	Information Technology
01/22/2018	Validus Holdings, Ltd. (NYSE:VR)	5,579.56	American International Group, Inc. (NYSE:AIG)	Bermuda	United States	-	Financials

Private equity continues to be a driving force in 2018, from both an acquisition and sales perspective. In 2017, private equity firms had an estimated \$1 trillion in committed and uninvested capital. This is an increase of \$166 billion or 20% from 2016. Private equity dry powder has been increasing on a long-term trend as investors have sought higher returns less correlated with traditional quoted equity and bond assets.

Given the amount of PE firms seeking acquisition opportunities, the lifecycle of existing investment holdings and record levels in capital markets, 2018 will be timely for private equity sales and non-core sales by strategic owners. Private equity firms have record amounts of capital that require investment or will need to return committed capital.

## II. IMPACT OF BREXIT ON M&A

The UK witnessed a short-term spike in transaction volume and value following Brexit due to the decline in Sterling in the nine months post Brexit. Interestingly, there has been a sharp increase in the value and volume of transactions of UK firms acquiring UK targets. Through the second half of 2016 there was nearly \$31bn (\$15bn quarter average) worth of transactions, compared to \$110bn worth of transactions in 2017 (\$28bn quarter average). UK buyers are targeting companies that have a strong UK based business, rather than cross border business that could be impacted by a hard Brexit. As the 29 March, 2019 Brexit date approaches and a fuller understanding of the impact of Brexit is achieved, there is the potential for increased M&A activity of UK targets. Britain is the ninth largest economy in the world where, in 2017, growth of 2.3% was sustained. Buyers who are willing to endure Brexit risk have the prospect of greater reward and above average market returns.

## III. CONCLUSION

We believe the momentum in the M&A market will continue through 2018 and there will be a marked increase in total transaction volume and value. Sophisticated acquirers and investors will continue to seek value-added acquisitions more actively in North America and Western Europe as interest rates remain near record low values in the United Kingdom and United States.

### Strategic Acquisitions

Corporations will look to more strategic acquisitions as a means to re-deploy repatriated earnings. In the instance of Apple Inc. alone, it is anticipated that \$200 billion of overseas dollars will be repatriated. We anticipate more acquisitions of technology driven companies or specialist enterprises that provide the acquirer with a competitive advantage in its product portfolio or service capabilities, which combined with prevailing lower cost acquisition financing should help to sustain multiple expansion. These industries include, by our ranking, Financials, Healthcare, Information Technology and Consumer Goods.

Chart III: *Private Equity Dry Powder by Year*

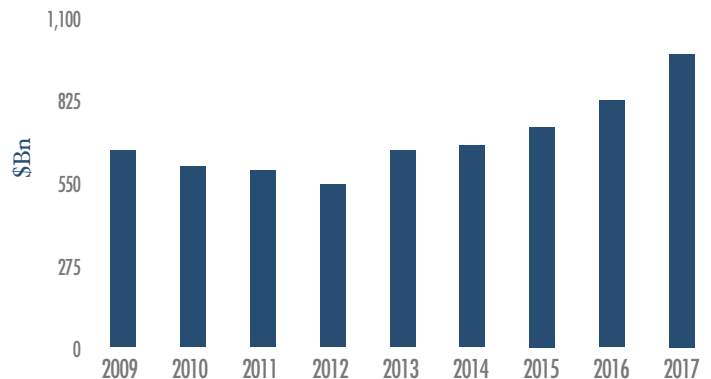
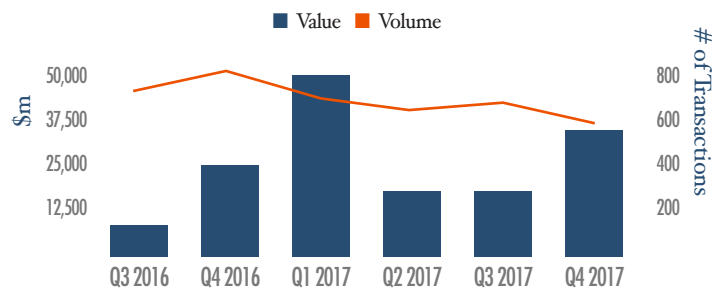


Chart IV: *Post-Brexit UK (Target & Buyer) M&A Activity 2016-2017*





## Cross Border Transactions

*We foresee the following 2018 M&A trends:*

- Sustained increases in volume and value of M&A transactions driven by strong fundamentals in capital and finance markets.
- Higher transaction volume growth in the North American and Asian Regions driven in part by regional increases in private equity allocations.
- Strategic M&A transactions providing the acquirer with immediate new market access which will give way to an increase in cross border transactions. In 2017 it is estimated that at least 20% of total M&A volume was related to cross border deals.
- Sustainable multiple expansion based on factors of more private equity funding available chasing a finite number of transactions particularly in the above \$500m category which accounted for \$2.4 trillion in transaction value globally in 2017.

Businesses will continue to generate shareholder value and growth via acquisition in order to solidify market positions, reduce costs, increase product and service offerings and reach into new markets. We anticipate significant activity in the mid-market (\$100-\$500 million) with larger corporations and private equity houses executing acquisitions of smaller businesses as both stand-alone and follow-on acquisitions for good valuation. This mid-market segment accounted for \$390bn globally in 2017.

## M&A 2017 GLOBAL LEADERSHIP AWARD

We are honoured to announce that our Chairman and CEO Cesar N. Anquillare, JP received the 2017 Global Lifetime and Leadership Award and was admitted to the M&A Hall of Fame for his contribution to the M&A Industry at the 16th Annual M&A Advisor Awards Gala. The M&A Advisor introduced the Lifetime Achievement and Leadership Awards program and established the M&A Advisor Hall of Fame to recognize extraordinary industry stalwarts. Selected by a committee of industry experts, the award recipients are judged on their individual accomplishments, the contribution they have made to their firm and its employees and the lasting benefits that they have brought to their profession. Mr. Anquillare joins an esteemed group of past Lifetime Achievement Award honorees including Commerce Secretary Wilbur L. Ross, H. Rodgin Cohen, John K. Castle, David Morgenthaler, Sir Martin Sorrel, David Bonderman, Bruce Wasserstein, Robert “Steve” Miller, Charlie Downer, Harvey R. Miller, Bruce Rauner, John Wm. “Jack” Butler, Pete Peterson, Wang Wei, Alexis Rodzianko, Dr. Mario Garnero, William Repko, Richard D. Parsons, and Barry Ridings.



*From Left: Christopher Perry, Chairman of the Board of British American Business; Cesar N. Anquillare JP, Chairman & CEO of Winchester Capital; David Fergusson, President & CEO of The M&A Advisor and Roger Aguinaldo, Founder of The M&A Advisor.*

## ABOUT WINCHESTER CAPITAL

Since 1986, Winchester Capital has focused on our four pillars: Integrity, Heritage, Insight and Perseverance. We offer advisory services and asset management with a record of transactions in 40 countries. In 2016, we received the Distinguished Award for International Boutique Investment Banking Firm of the Year. We excel in direct transaction research, initiation and execution. If you are considering an acquisition or disposal transaction or you desire further research, please contact our Director of Corporate Communications, Ms. Pippa Smith at [Pippa.Smith@WinchesterCapital.com](mailto:Pippa.Smith@WinchesterCapital.com). For further information on this research please visit [winchestercapital.com](http://winchestercapital.com) or contact our Managing Director, Dr. David Bowen at [David.Bowen@WinchesterCapital.com](mailto:David.Bowen@WinchesterCapital.com). **Please visit our website at [www.WinchesterCapital.com](http://www.WinchesterCapital.com).**

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