



I. ROBUST GLOBAL M&A ACTIVITY CONTINUES IN 2019

Strong winds will continue to fill M&A sails from 2018 foretelling another active year, with increases in deal volume and value in North America. In contrast, Europe is experiencing declines in M&A activity under the clouds of Brexit and additional geopolitical uncertainty. However, this trend could be reversed in the second half of 2019 as the UK gathers strength under Boris Johnson as the Conservative Leader.

The most active regions in terms of total deal value and volume in 2018 were North America and Europe, accounting for 58.0% and 14.4% of the global transaction deal value, respectively. When combined, these markets represent nearly 75% of the deal volume globally. Comparing the results from 2019 YTD to full year 2018, the North American region had an increase of 10.4%, while the European region saw a decrease of 13.1% of total Global M&A deal value. For the first five months of 2019, North America and Europe represented \$794bn and \$198bn in transaction deal value, respectively. Compared to the same time period in 2018, North American deal value actually increased by 3% from \$772bn, while European deal value decreased by 64% from \$546bn. Worries about the impact of Brexit and broader global economic concerns have significantly reduced European M&A volume in the start of 2019.

Domestic USA M&A activity continues to remain high in 2019. Large corporations continue to focus on growth within the U.S. as acquirers continue to take advantage of low borrowing costs and strong balance sheets. Eight of the ten largest global transactions in the first five months of 2019 were domestic U.S. deals.

Chart I: *Global M&A Activity (2015-2019)*

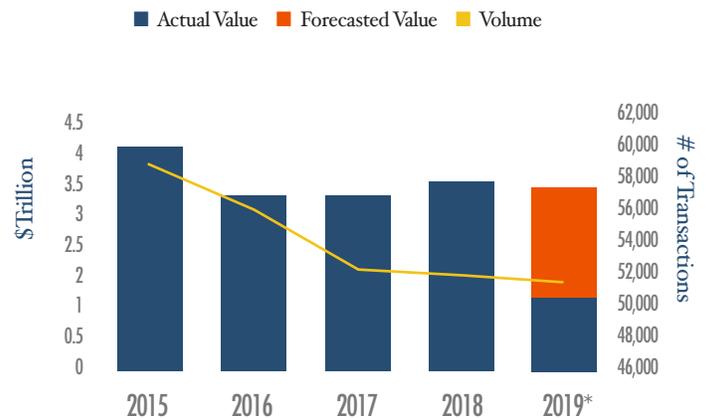
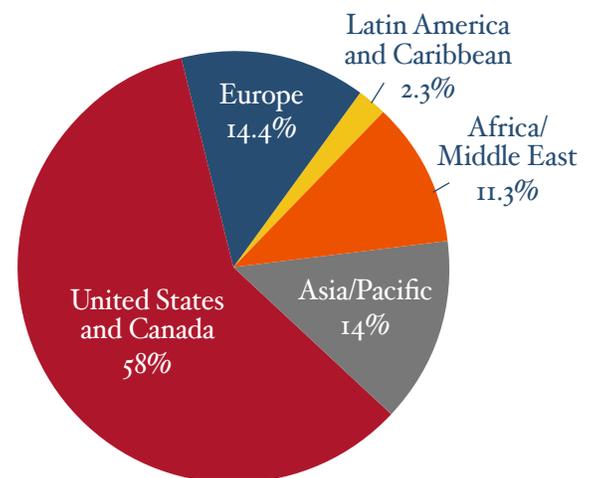


Chart II: *Global M&A Activity by Region (2019)*



II. MAJOR GLOBAL TRANSACTIONS 2019

Sectors demonstrating the highest international transaction values in 2018 were healthcare, information technology and materials. A number of high profile acquisitions in these sectors occurred throughout 2019. The healthcare and information technology sectors each comprised three of the top ten announced transactions in 2019. The largest announced transaction to date in 2019 was the \$99.6bn acquisition of Celgene Corporation (Nasdaq: CELG) by Bristol-Myers Squibb Company (NYSE: BMY). The buyout will provide shareholders a one-for-one share transfer, as well as \$50 cash per share and one additional contingent value right, which will be triggered if the FDA approves three of Celgene's pipeline drugs. The transaction will create the fourth largest pharmaceutical firm in the United States with a focus on supporting the needs of patients with cancer, inflammatory and immunologic diseases and cardiovascular disease. On April 12, 2019 the shareholders of Bristol-Myers Squibb Company voted to approve the issuance of shares.

Two additional top ten acquisitions in the healthcare sector that were announced in 2019 include Danaher Corporation's (NYSE: DHR) \$21.4bn acquisition of the Biopharma Business of General Electric (NYSE: GE) and the \$15.6bn acquisition of Wellcare Health Plans (NYSE: WCG) by Centene Corporation (NYSE: CNC). GE had previously rejected a bid by Danaher a year ago; however, it became more willing to sell the subsidiary with the appointment of Lawrence Culp as CEO, who is looking to streamline the company and reduce down debt. Centene's announced March merger with Wellcare will create a premier Healthcare Enterprise focused on Government-Sponsored Healthcare Programs.

The information technology sector has also seen a number of high profile acquisitions in 2019. The largest transaction in this sector was in March 2019 with a \$43.6bn announced acquisition by a U.S. fintech group Fidelity National Information Services (NYSE: FIS) of Worldpay Inc. (NYSE: WP), a global payment processing company. This transaction follows on the January 2019 \$41.8bn acquisition of payment processor First Data Corporation (NYSE: FDC) by Fiserv, Inc. (NYSE: FISV), suggesting consolidation in the payment processing sector as firms compete with online transactions and new technology entries to the sector. In May 2019, the third mega-merger in the payments industry was announced with the acquisition by Global Payments Inc. (NYSE: GPN) of Total Systems Services Inc. (NYSE: TSS) for \$26.7bn. The combined group is projected to generate \$8.6bn annually in revenue while providing leading payment and software solutions to approximately 3.5 million small to mid-sized businesses in over 100 countries.

Chart III: Total M&A Transaction Value by Sector (2019)

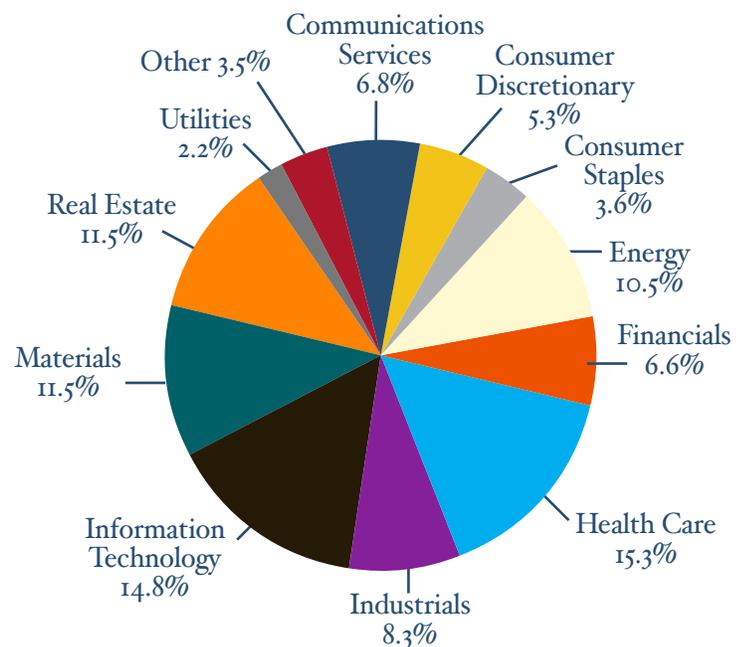


Table I: Top 10 Announced Global M&A Transactions in (2019)

Announcement	Target	Buyers	Total Transaction Value (\$m)	Sector
01/03/2019	Celgene Corporation (NasdaqGS:CELG)	Bristol-Myers Squibb Company (NYSE:BMJ)	99.6	Health Care
03/27/2019	Saudi Basic Industries Corporation (SASE:2010)	Saudi Arabian Oil Company	94.6	Materials
04/24/2019	Anadarko Petroleum Corporation (NYSE:APC)	Occidental Petroleum Corporation (NYSE:OXY)	59.9	Energy
03/18/2019	Worldpay, Inc. (NYSE:WP)	Fidelity National Information Services, Inc. (NYSE:FIS)	43.6	Information Technology
01/16/2019	First Data Corporation (NYSE:FDC)	Fiserv, Inc. (NasdaqGS:FISV)	41.8	Information Technology
02/07/2019	SunTrust Banks, Inc. (NYSE:STI)	BB&T Corporation (NYSE:BBT)	28.3	Financials
05/28/2019	Total System Services, Inc. (NYSE:TSS)	Global Payments Inc. (NYSE:GPN)	26.7	Information Technology
02/04/2019	Liberty Expedia Holdings, Inc. (NasdaqGS:LEXE.A)	Expedia Group, Inc. (NasdaqGS:EXPE)	22.4	Consumer Discretionary
02/25/2019	BioPharma Business of General Electric Company	Danaher Corporation (NYSE:DHR)	21.4	Health Care
03/27/2019	WellCare Health Plans, Inc. (NYSE:WCG)	Centene Corporation (NYSE:CNC)	15.6	Health Care
Total (\$m)			\$453.9	

III. IMPACT OF BREXIT ON U.K. ECONOMY AND EUROPE

Continued uncertainty over Brexit has softened U.K. and European based M&A value in 2019. The total value of M&A activity in Q1 was \$32.9bn, the lowest level since Q2 2016, which coincided with the original Brexit referendum. Brexit has had a considerable impact on the number of large scale transactions in 2019. During the first five months of 2019, there have been only eight U.K. transactions of over \$1bn for a total of \$33.bn. Compared to the same time period in 2018, there were 23 announced transactions of at least \$1bn, for a total of \$125.2 bn. This suggests that companies are waiting to execute large scale transactions in the U.K. until Brexit has been resolved through the current changing of the guard. The largest transaction announced in 2019 has been the March acquisition of the plastic products and packaging company RPC Global Plc by U.S. Berry Global Group Inc. (NYSE:BERY) valued at \$6.2bn.

British Prime Minister Theresa May has resigned as Prime Minister after three failed attempts to pass her Brexit Deal. The early victory of Boris Johnson to succeed Theresa May could bring the unity required to conquer Brexit uncertainty and effect the trade agreements required to stabilize Britain and its relationship with the European economy. Johnson eulogizes his hero, Winston Churchill, and believes in a stronger Britain which could bolster capital markets and boost M&A recovery. This comes at a time when the U.K. economy is contracting based on political and economic



uncertainty. The U.K. economy contracted by 0.4% in April and 0.1% in March. The decline was attributed to weakness in the manufacturing sector as factory output declined by 3.9% in April. U.K. manufacturers did not have clear insight on the terms of trade with the EU post Brexit, and several large automotive factory shut downs in the UK were announced, including Honda. Despite these events, the U.K. remains the sixth largest economy in the world.

IV. GROWTH OF THE U.S. SPAC MARKET

The buoyancy of US capital markets which achieved unprecedented highs coupled with positive economic factors resulted in a record number of SPAC transactions.

Special Purpose Acquisition Companies (SPACs) are publicly traded company acquirers that raise capital through a public listing with the purpose of acquiring one or more existing companies. The capital is raised through a public offering and held in trust until it is released to fund a business acquisition. SPACs often will target a specific sector in which the SPAC sponsor has significant business experience or operating knowledge to create future value. SPACs will typically have 18-24 months following a capital raise to make an acquisition that must be approved by shareholders or the funds must be returned to investors.

Since 2017, there have been approximately 90 SPAC offerings that have raised \$24.5bn in the United States. The largest SPAC offerings so far in 2019 were Diamond Eagle Acquisition Corp.'s May 2019 of \$400m and Gores Metropoulos' \$400m January 2019. Diamond Eagle Acquisition Corp is the fifth public acquisition vehicle led by media executive Jeff Sagansky and founding investor Harry Sloan. Diamond Eagle is not limited by any specific sector, but will pursue an initial business combination that can benefit from its management team's experience. Gores Metropoulos is the fourth SPAC Company formed by The Gores Group, a Beverly Hills, CA private equity group founded by Alec Gores. Gores Metropoulos will target companies operating in the consumer products and service industries.

Recent SPAC acquisitions include the announced transaction between Leo Holdings and Chuck E. Cheese's Parent Company, Queso Holdings and CM Seven Star Acquisition Corporation's (Nasdaq:CMSS) acquisition of Renren Inc.'s Kaixin Auto Group. Leo Holdings was founded by executives of Lion Capital, a British private equity firm, to acquire a consumer business. Chuck E. Cheese was previously held by Apollo Global Management, and the Company transacted at an enterprise value of \$1.4bn. Apollo will remain a 51% shareholder in the newly formed company. In May 2019, it was announced that CM Seven Star had completed the acquisition of 100% of the issued and outstanding securities of Kaixin. Renren received approximately 28.3 million ordinary shares of CM Seven Star, representing 71.7% of the total outstanding shares of CM Seven Star. EarlyBirdCapital, Inc. acted as exclusive financial and capital markets advisor to CM Seven Star. Kaixin will continue to be led by its current management team and remain headquartered in Beijing, China.

An exit through a SPAC continues to be an appealing alternative to a traditional IPO or exit to a private equity firm. SPACs uniquely offer the ability for sellers to retain shares, liquidity and enjoy potential future value. SPACs can be significantly less expensive when compared to a traditional IPO. SPAC buyers are typically highly motivated to complete a transaction.

Chart IV: U.K. M&A Activity (2015-2019)

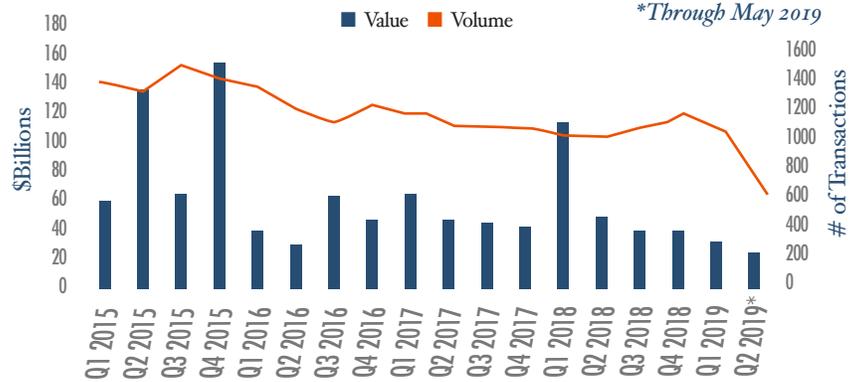




Table II: *Top 10 SPAC IPOs 2019*

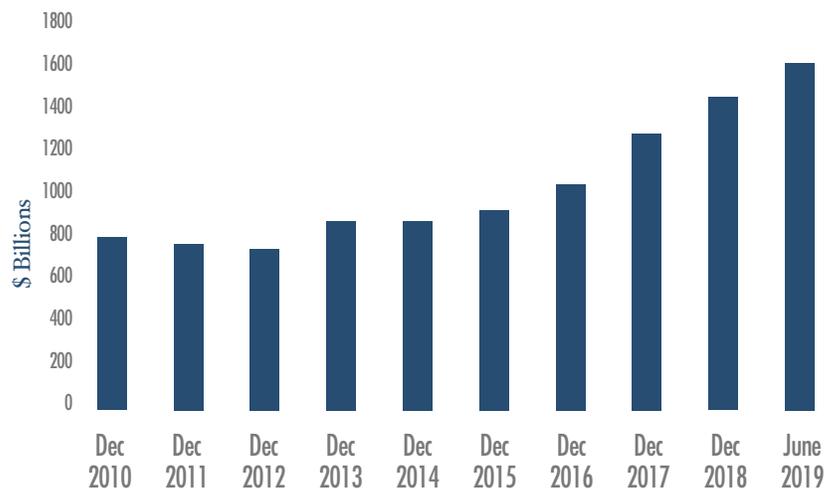
Target/Issuer	Exchange	Ticket	Sector	Amount Raised	Public Offerings Offer Date
Diamond Eagle Acquisition Corp.	Nasdaq	DEAC	Any Sector	400	5/10/2019
Gores Metropoulos, Inc.	Nasdaq	GMHI	Consumer Products and Services	400	1/31/2019
Haymaker Acquisition Corp. II	Nasdaq	HYAC	Consumer Products and Services	350	6/6/2019
Landcadia Holdings II, Inc.	Nasdaq	LCA	Consumer, Hospitality & Gaming	316	5/6/2019
Acamar Partners Acquisition Corp.	Nasdaq	ACAM	Consumer & Retail	306	2/21/2019
Trine Acquisition Corp.	NYSE	TRNE	Technology & Media	300	3/14/2019
Hennessy Capital Acquisition Corp. IV	Nasdaq	HCAC	Industrial	300	2/28/2019
Act II Global Acquisition Corp.	Nasdaq	ACTT	Consumer Products and Services	300	4/25/2019
GX Acquisition Corp.	Nasdaq	GXGX	Any Sector	288	5/20/2019
DiamondPeak Holdings Corp.	Nasdaq	DPHC	Real Estate	280	2/27/2019
Total (\$m)				3,240m	

V. PRIVATE EQUITY M&A ACTIVITY

Private equity continues to be a driving force for 2019, from both an acquisition and a sales perspective. In 2019, private equity firms had an estimated \$1.5 trillion in committed but uninvested capital. This is an increase of \$153 billion or 10% from the total amount available at the end of 2018 and nearly 84% from 2014. The spike in dry powder has been driven by the increased concentration of capital committed to larger funds. Recent examples include the Blackstones' \$22bn Capital Partners VIII and \$17.8bn Real Estate Partners IX, Advent's Global Private Equity IX fund and Brookfield's \$17.5bn Strategic Real Estate Partners III and \$14.5 Infrastructure Fund IV.

Given the number of PE firms seeking acquisition opportunities and the life cycle of existing investment holdings, this is a highly attractive time to divest non-core assets or vintage investments. Private equity firms have record amounts of capital that require investment, and they will be looking to deploy it in the second half of 2019.

Chart V: *Private Equity Dry Powder Accumulation (2010-2019)*





VI. CONCLUSIONS

We believe that positive momentum in the Global M&A Market will continue through the second half of 2019 and 2020.

- Trade tensions with China and geopolitical concerns across the globe will fuel increases in domestic U.S. M&A activity.
- U.S. Tax Reform has led to record levels of cash surplus for U.S. Corporations; strategic corporations will continue to position themselves for growth by acquiring new technologies or product offerings.
- The increased value of the U.S. dollar against EU, Scandinavian and Asian currencies will stimulate additional USA acquisitions abroad.
- Precious metals and mining will remain attractive due to increased consumer product demand and the impact of U.S./China trade issues, which will result in pent-up demand.
- The recent movements by the U.S. Fed for interest rate reduction will support continuing M&A activity as the cost of debt remains attractive to both private equity and strategic buyers.
- Private equity dry powder (estimated at \$1.5 trillion) will continue to increase. We expect the stronger momentum in the M&A middle market (\$500m) will continue as private equity firms and strategic corporations look to avoid mega-deals due the volatile market factors. Instead they will focus on more manageable and scalable transactions that have a higher certainty of close, less execution risk and manageable return on investment.
- As companies seek to build scale and expand geography, we expect continuing consolidation in the healthcare, technology and fintech sectors.
- The energy sector will continue to be a driver of global M&A activity in 2019. The \$144bn in energy transactions comprise 10.5% of the total transaction value in 2019 to date. Additional investment into renewable projects by corporations and asset managers combined with advancing technologies that lower costs will increase the demand for renewable energy acquisitions.



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