

2017 H2

# Globalscope Newsletter

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

*Perth 2017 H2*



*"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 54 member firms, with more than 600 professionals on the ground across 45 countries:

### AFRICA

Kenya  
South Africa

Fieldstone Africa  
Fieldstone Africa

### AMERICAS

Argentina  
Brazil  
Canada  
Mexico  
United States

Ficus Capital S.A.  
Pactor Finanças Corporativas  
Osprey Capital Partners Inc.  
Allegiance Capital Corporation  
Allegiance Capital Corporation  
Brooks Houghton  
Greif & Co.  
MelCap Partners  
Paramax Corporation  
Insignia Financial Advisors  
Ficus Capital S.A.

Panama  
Uruguay

### ASIAPAC

Australia

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  
RB Partners  
Nexus Group

China  
India

Indonesia  
Japan  
Singapore  
South Korea  
Uzbekistan  
Vietnam

### EUROPE

Armenia  
Belarus  
Belgium  
Bulgaria  
Croatia  
Czech Republic  
Denmark  
Finland  
France  
Georgia  
Germany

Greece  
Hungary  
Israel  
Italy

Luxembourg  
Netherlands

Norway  
Poland

Portugal  
Russia  
Spain  
Sweden  
Switzerland

Turkey  
Ukraine  
United Kingdom

EV Consulting  
Capital Times  
Common Ground Corporate Finance  
First Southeast Investment Partners  
Grubišić & Partners  
Venture Investors Corporate Finance  
Dansk Merchant Capital A/S  
Summa Capital  
Atout Capital  
CMW Corporate Finance  
Alliance Group Capital  
CatCap  
CCI Management  
Transfer Partners Group  
First Athens Corporate Finance SA  
Heal Partners  
Portofino Investments  
Benedetti & Associates  
Palladio Corporate Finance  
Tenzing Partners SA  
DEX international M&A  
Stratégique  
Impello Management AS  
Augéo Ventures  
Aventis Capital  
Bluemint Capital  
RB Partners  
Next Corporate  
Jarl Securities  
IFBC  
InternationalScope Ltd.  
Orion Capital Partners  
Capital Times  
Corbett Keeling  
Silverpeak Investment Bank



*The starting point for  
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 peak

2017 H2



### Synopsis

In the six months to June 2017 the global average Lower-Mid Market Transactions TEV/EBITDA Multiple has risen to 9.4, its highest value in the last two years. This latest business valuation indicator is based on an analysis of 18,553 transactions in the period, of which 25% were categorised as cross-border.

The Financial Services sector companies commanded the highest valuations, with Lower-Mid Market Transactions TEV/EBITDA Multiples averaging 11.5. This is in contrast to the Industrials sector where the average was 7.7; Industrials and Services were the only two sectors to fall over the period.

## Network expansion

Leading Turkish M&A firm joins Globalscope



### Synopsis

At the recent semi-annual conference in Perth, Globalscope president Russell D'Alba announced Globalscope's newest member: Turkish firm Orion Capital Partners.

Deniz Kartal of Orion Capital Partners commented:



Deniz Kartal  
Orion Capital Partners

*"We are honored to be welcomed into such an esteemed group of corporate finance professionals and such a prestigious network. We believe that the extensive and deep connections that Globalscope network provides around the globe will enable us to better serve our clients in the Turkish market whether it be in securing strategic partners for further growth or in finding solid investment opportunities abroad. We look forward to completing many successful international deals under the Globalscope umbrella."*

### President's Comment

*"No better place than Perth to bond with our overseas colleagues. Perth is a fantastic city, has world class facilities as we experienced at the Crown Towers, and so much natural beauty. This event saw representation from 20 countries and it is our great pleasure to welcome Orion Capital from Turkey as a new member. We celebrated the largest deal in the network, the most active firm, and flagship cross-border transactions."* - Russell D'Alba

### New Member Firm

**ORION**  
Capital Partners



# Conference report

## Synopsis

The two day conference programme, hosted by Globalscope's member firm in Perth, Tompkins Turner, was attended by 30 delegates from Globalscope's member firms.

The semi-annual conference included best practice presentations given by CatCap, and a presentation on interacting with PE by Corbett Keeling. In addition, guest speakers Tony Chong, Partner at Lavan Legal, and Ian Thubron, founder of Asia Strategies and former Executive VP at TBWA Asia Pacific, gave talks on M&A in Asia.

## Host member firm

Tompkins Turner, an Australian advisory firm based in Perth offers mergers and acquisitions advice to mid-market companies.



## 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 6 deals completed in the last 6 months.

### Largest transaction:

Summa Capital (*Finland*) for their transaction with YIT and Lemminkäinen.

### Intra-Globalscope deal:

Stratègique (*Netherlands*) and Atout Capital (*France*) which respectively advised The Surgical Group, a Dutch medical products company, on its acquisition of a majority stake in Axxess Vision, a French medical devices company



## Comment



Todd Grover  
Tompkins Turner

*"We were honored to host the Globalscope conference in Perth to develop deeper member collaboration, share more techniques learned through best practices and generate the means to increase the volume of partnership deals. We also found at least three new potential global buyers for a business we are currently marketing."*



## Next

The next Globalscope conference will be held in Panama City in April 2018.

# 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.

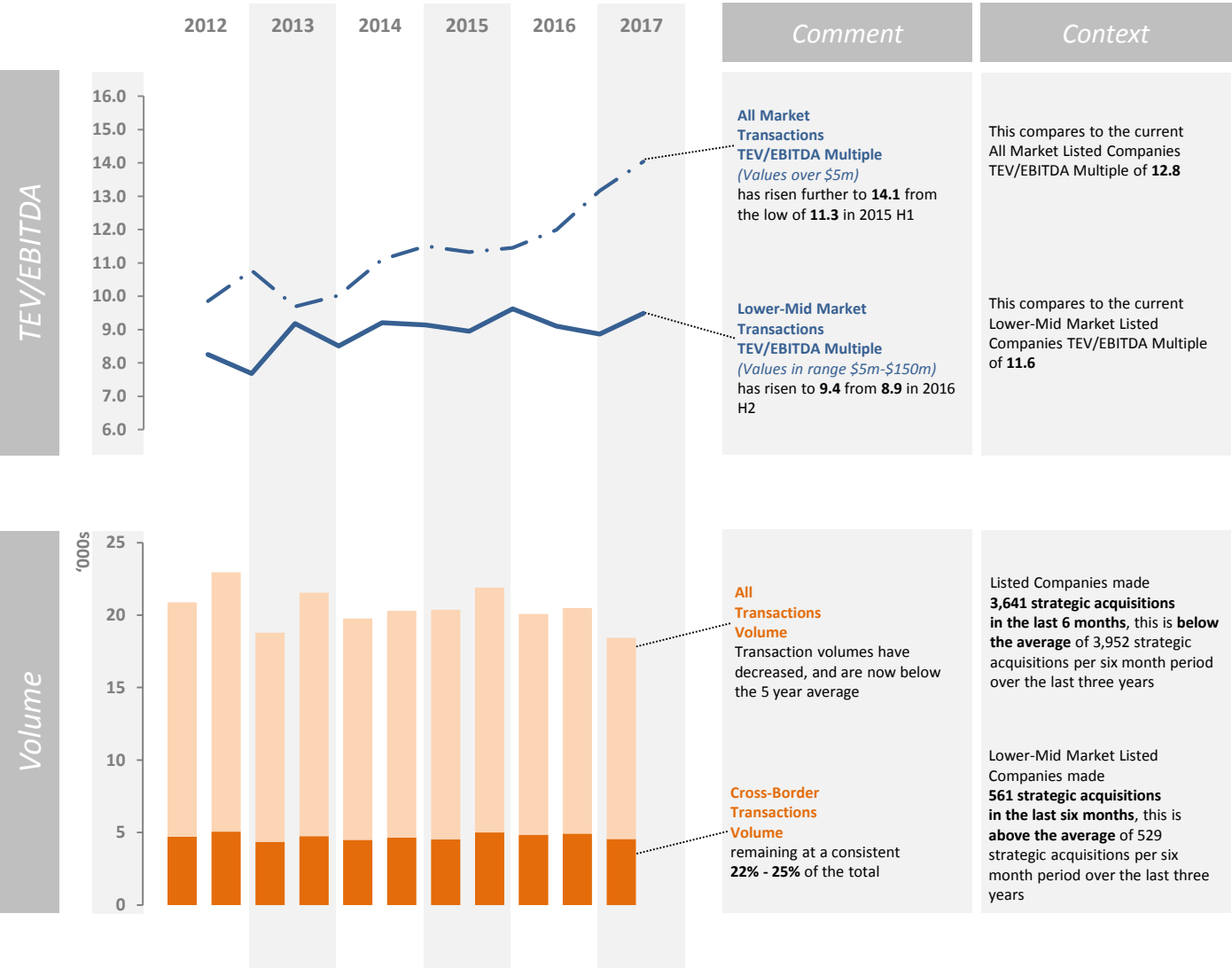
Across a large enough sample of transactions, these average TEV/EBITDA Multiples are a useful tool for assessing global valuation trends, as set out in the first chart below.

## 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 further rise to an historic peak.

## 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 maintaining a relatively steady historic average.





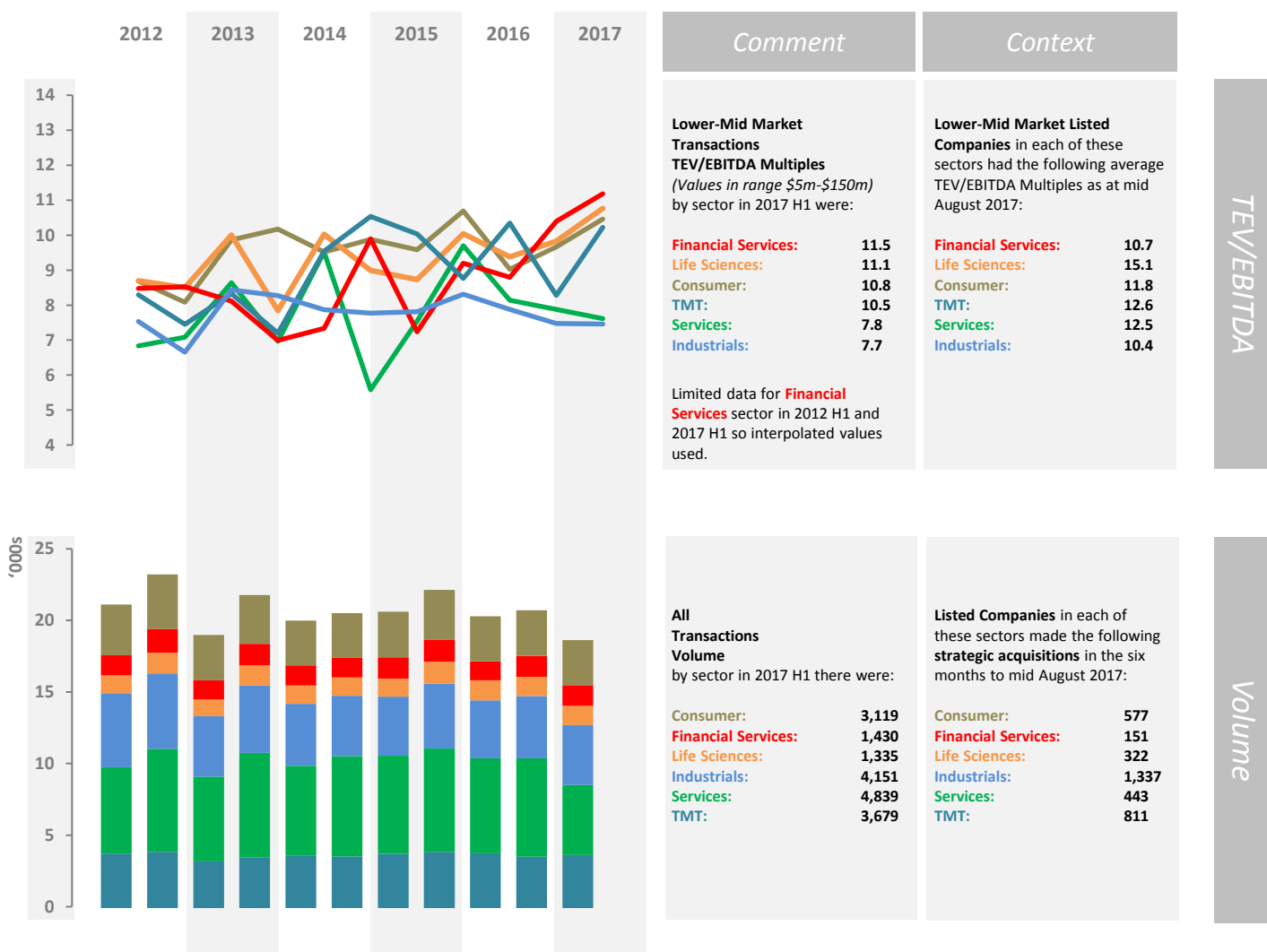


## Lower-mid market sector highlights

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  
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# Transactions data by region

## All Market Transactions (dot-dash lines)

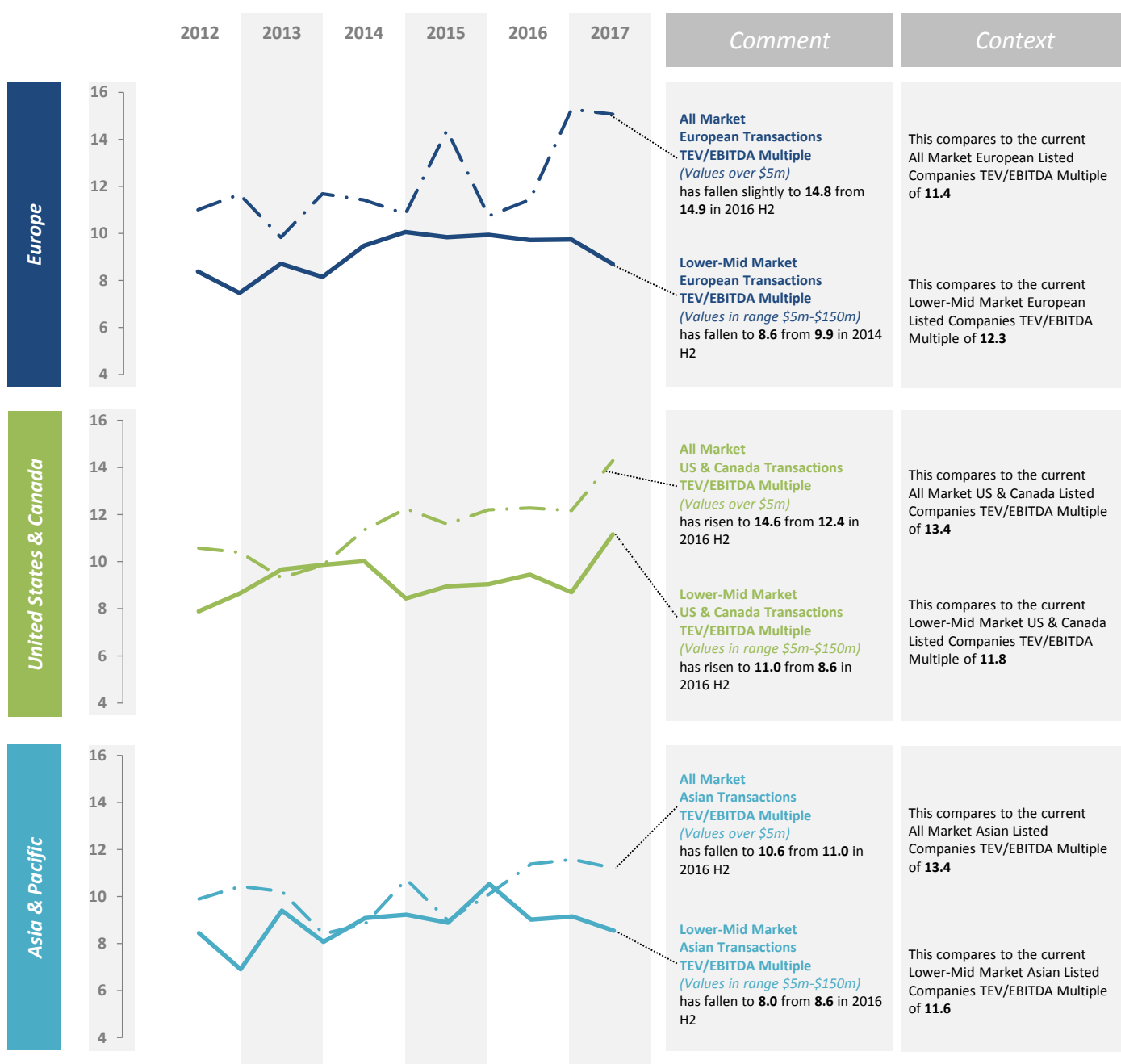
Dot-dash lines show average TEV/EBITDA Multiple data from all disclosed transactions where the transaction value was at least \$5m and the target location was recorded in one of the five global regions.

Multiples for Africa & Middle East have risen over the period. Both Europe and Asia & Pacific, by contrast, have fallen.

## 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.

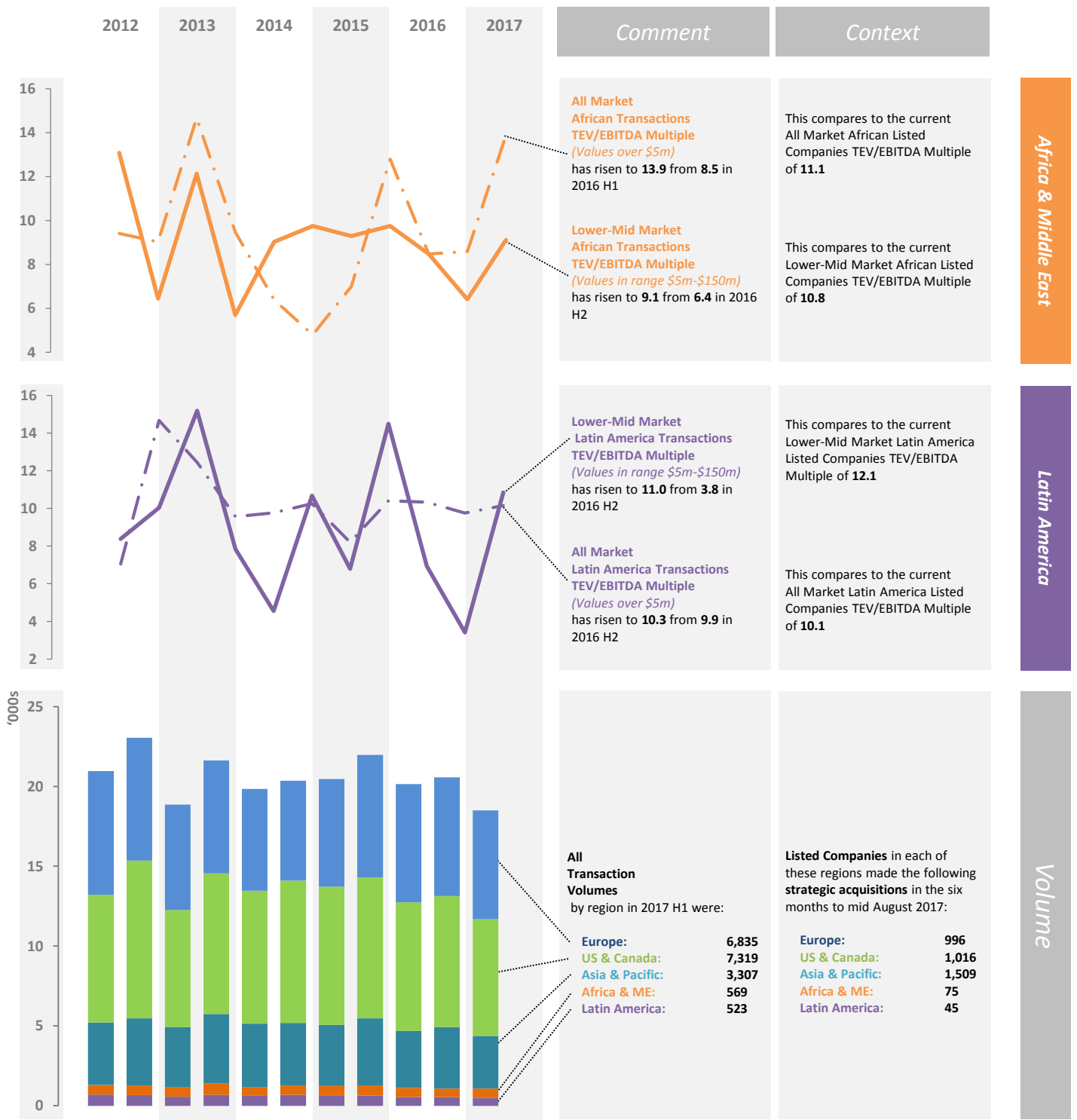
Multiples for Africa & Middle East and Latin America have both risen sharply. Multiples in United States & Canada have also increased over the period.







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.

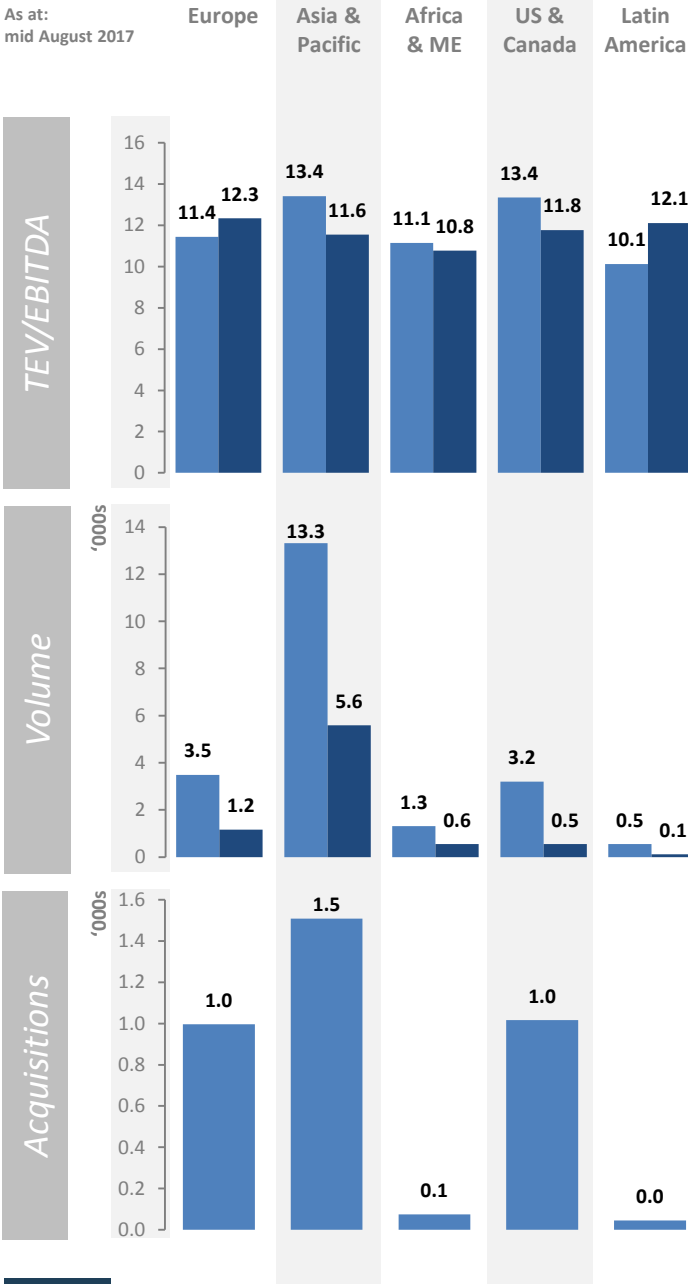


# Listed companies data by region

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 August 2017



## 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										
<p><b>All Market Listed Companies TEV/EBITDA Multiple</b> (Values over \$5m)</p> <p>is highest in Asia &amp; Pacific at <b>13.4</b>, 33% higher than the lowest in Latin America of <b>10.1</b></p>	<p>This compares to the global total All Market Listed Companies TEV/EBITDA Multiple of <b>12.8</b></p>										
<p><b>Lower-Mid Market Listed Companies TEV/EBITDA Multiple</b> (Values in range \$5m-\$150m)</p> <p>is highest in Europe at <b>12.3</b>, 15% higher than the lowest in Africa &amp; ME of <b>10.8</b></p>	<p>This compares to the global total Lower-Mid Market Listed Companies TEV/EBITDA Multiple of <b>11.6</b></p>										
<p><b>All Market Listed Companies Volume</b> (Values over \$5m)</p> <p>is significantly higher in Asia &amp; Pacific than anywhere else at <b>13,308</b></p>	<p>The global total number of All Market Listed Companies is <b>21,849</b></p>										
<p><b>Lower-Mid Market Listed Companies Volume</b> (Values in range \$5m-\$150m)</p> <p>is again particularly low in Latin America at <b>112</b></p>	<p>The global total number of Lower-Mid Market Listed Companies is <b>7,962</b></p>										
<p><b>All Market Listed Companies</b> (Values over \$5m)</p> <p>Acquisitions in last six months is highest in Asia &amp; Pacific in absolute terms at <b>1,509</b> acquisitions, but highest is United States on an acquisitions per Listed Company basis at 32%, compared to Africa &amp; ME's 6%</p>	<p>In total there were 3,641 strategic acquisitions by All Market Listed Companies in the six months to mid August 2017.</p> <p>These compare to All Market Transaction Volumes in 2017 H1 by region of (in '000s):</p> <table> <tr> <td>Europe:</td><td>6.8</td></tr> <tr> <td>Asia &amp; Pacific:</td><td>3.3</td></tr> <tr> <td>Africa &amp; ME:</td><td>0.6</td></tr> <tr> <td>US &amp; Canada:</td><td>7.3</td></tr> <tr> <td>Latin America:</td><td>0.5</td></tr> </table>	Europe:	6.8	Asia & Pacific:	3.3	Africa & ME:	0.6	US & Canada:	7.3	Latin America:	0.5
Europe:	6.8										
Asia & Pacific:	3.3										
Africa & ME:	0.6										
US & Canada:	7.3										
Latin America:	0.5										



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 <i>(Values over \$5m)</i>		Lower-Mid Market Listed Companies <i>(Values in range \$5m-\$150m)</i>	
As at: mid August 2017			Number listed	TEV/EBITDA Multiples		Number listed	TEV/EBITDA Multiples
Europe	British Isles	2	648	11.6		135	11.8
	East Europe	8	504	8.8		330	11.0
	North Europe	5	763	10.6		255	12.8
	South Europe	6	438	10.6		144	13.1
	West Europe	17	1,131	11.8		304	13.1
	Total Europe	38	3,484	10.9		1,168	12.3
USA & Canada	Canada	5	543	12.8		181	11.0
	United States	9	2,507	13.4		252	11.9
	Others	1	151	12.1		114	13.1
	United States and Canada	15	3,201	13.4		547	11.8
Asia & Pacific	Indian Ocean	6	1,960	16.2		1,177	12.5
	North & East Asia	6	8,650	13.3		3,034	11.2
	Pacific	2	2,698	12.5		1,374	11.8
	Total Asia / Pacific	14	13,308	13.6		5,585	11.6
Africa & Middle East	Africa	2	554	10.6		261	9.7
	Middle East	1	754	11.4		289	11.5
	Total Africa / Middle East	3	1,308	11.1		550	10.7
Latin America	Brazil	1	190	9.9		33	15.8
	Uruguay	1	-	-		-	-
	Others	3	358	10.3		79	10.0
	Latin America	5	548	10.1		112	12.1







## Sector-Specific Analysis

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

Consumer	17
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Life Sciences	21
Industrials	23
Services	25
Technology, Media & Telecoms (TMT)	27

## The sector M&A landscape

During the Perth 2017 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 growth of social media and its increasing influence over consumer spending habits. More details can be obtained from team members or regional heads – see contact details below.

### Sector themes

#### Online Shopping's Continued Rise in Importance

The volume of products bought online continues to grow at an exceptional rate, with particular focus on purchases from mobile devices. The increased necessity for sufficient cybersecurity has added another layer of sophistication to the platforms.

#### "Midorexia" and its Associated Spend

The stock coined phrase 'mid-life crisis' has a subdivision for those customers who are acting, and therefore spending, younger than their years might suggest. The phenomenon can be witnessed in the fashion industry, as well as fitness related tech and apparel.

#### Personalised Products

From holidays to hoodies, consumers continue to search for (seemingly) entirely tailorable products. Offering a wide range of services should help retailers build a stronger emotional attachment to their customers. It is now expected that all services possess some element of adaptability.

#### Social Media Influencer Marketing

The use of Instagram influencers by big brands has grown exponentially, although it is now expecting a crackdown from consumer protection bodies in the UK and US.

### Notable recent transactions

#### Amazon Gobbles up Whole Foods

Amazon.com Inc. will acquire Whole Foods Market Inc. for \$13.7bn, creating a launchpad for the e-commerce company's grocery sales. This acquisition follows Amazon's tie-up with UK supermarket chain Morrison's in late 2016.

#### Sycamore Partners Acquires Staples

The private equity firm has put together a \$6.9bn turnaround plan that includes reducing the retail footprint of the office supplies company.

#### LVMH Takes Full Control of Christian Dior

French billionaire and LVMH chairman Bernard Arnault moved to consolidate control over Christian Dior for approximately \$14.1bn.

### Lower-mid market observations

#### Polarised Consumer Spending

Customers within the food and beverage sector have tended to favour the extremities of the market, as trends such as affordable indulgence and healthier eating have grown alongside staples sold in budget supermarkets such as Aldi and Lidl.

#### Overseas Buyers Enticed by Devalued Pound

The devaluation of sterling meant UK assets were exceptionally good value and international buyers seized the opportunity to invest.

### Sector contacts



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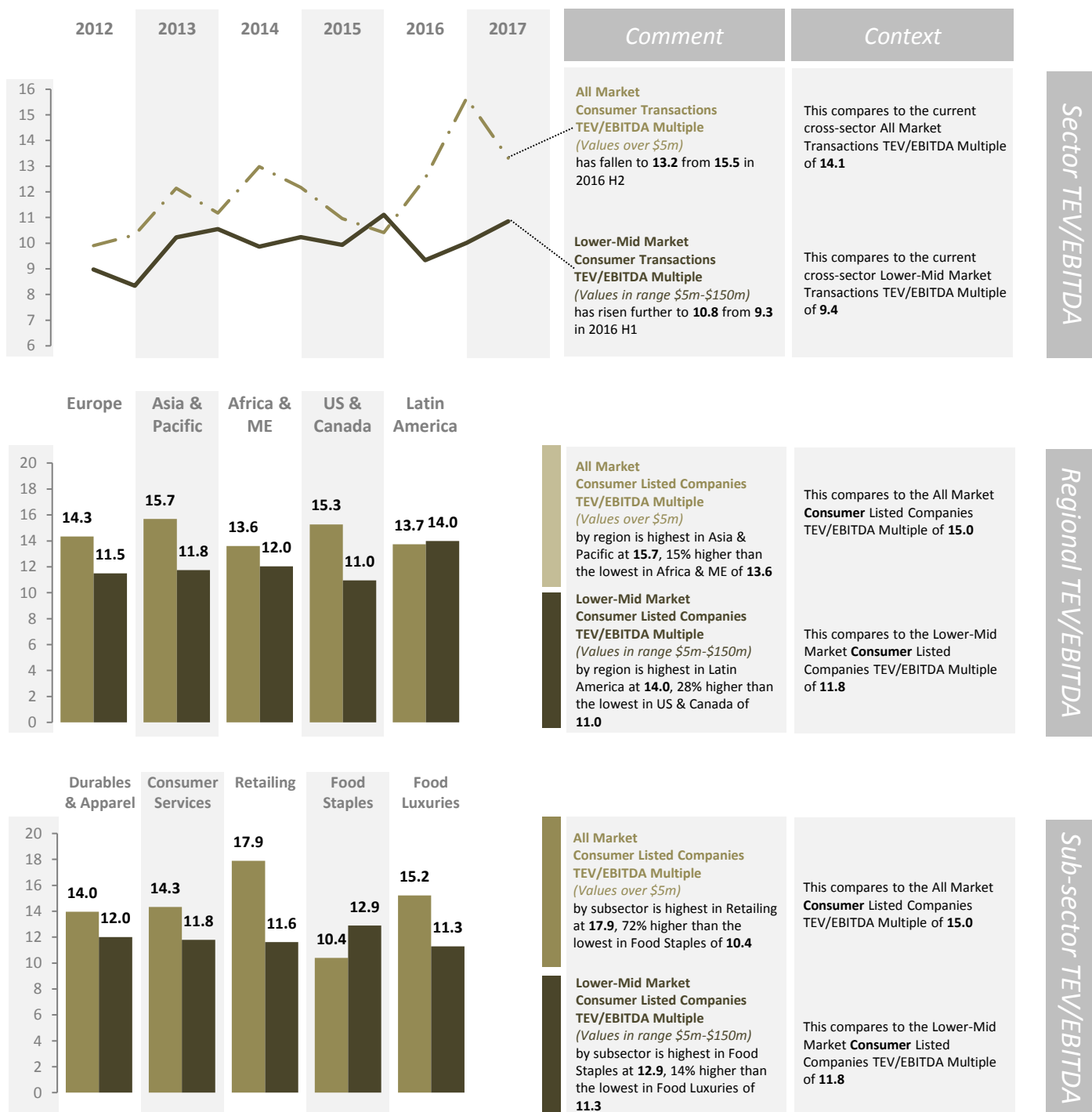


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# M&A trends & market analysis

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 August 2017.



## The sector M&A landscape

During the Perth 2017 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 increasing reliance on both digital payments and cryptocurrency around the world. More details can be obtained from team members or regional heads – see contact details below.

### Sector themes

#### Digital Payments Providers Under Pressure

Mounting consumer pressure for faster, seamless, cheaper and more secure digital payments will press companies to collaborate and move quickly in order to keep up. This will also fuel consolidation in the industry. The latest development is the global fund Hellman & Friedman, which is fronting an investor group, bidding to acquire the Nordic payment system provider NETS for \$5.1bn. Hellman & Friedman wants to use the NETS platform for European consolidation of the payment service industry and subsequent expansion into e-commerce.

#### Banks Continue to Embrace Cloud & AI Tech

Banks are exploring opportunities for IT to increase their range of services and value proposition. In Russia, for example, these efforts are largely led by Sberbank which recently announced the launch of a cloud service for SME / e-commerce companies. There are plans, too, to develop a legal chat-bot and other initiatives in the high-tech area. M&A opportunities may arise for smaller IT companies that develop FinTech solutions that can be “plugged in” to larger corporates.

### Notable recent transactions

#### Canaccord Genuity Acquires Hargreave Hale

Canadian wealth manager Canaccord Genuity has acquired UK-based wealth manager Hargreave Hale for *circa* £80m. The Hargreave Hale business will be merged with Canaccord's existing UK wealth management business.

#### Canada's CIBC Acquires \$5bn PrivateBancorp

Canadian Imperial Bank of Commerce has completed the \$5bn acquisition of Chicago-based PrivateBancorp. According to CIBC CEO Victor Dodig, the deal has been almost three years in the making.

#### Macquarie Acquires Green Investment Bank

Macquarie Group, along with support from Universities Superannuation Scheme, acquired the UK Government's Green Investment Bank for £2.3bn. The Green Investment Bank provides banking and lending services to eco-friendly projects.

### Lower-mid market observations

#### Largest Russian Institution Under Watch

Russia's Central Bank announced the launch of a financial rehabilitation program for Otkritie Group, the country's largest private financial institution. According to Russian monetary authority, Otkritie requires a significant capital increase and extensive measures to improve its financial health. As a result of the process, Russia's Central Bank may take up to 75% equity position in the group.

#### Blockchain in Focus, but Uncertainty Lingers

Central banks and governments continue to voice their views on Bitcoin and other cryptocurrencies, which has resulted in prices becoming even more volatile than usual. One example is the recent ban imposed by Chinese authorities on initial coin offerings in the country, which led to a dramatic drop in Bitcoin prices and put a question mark on the future of a Chinese blockchain-based economy.

### Sector contacts



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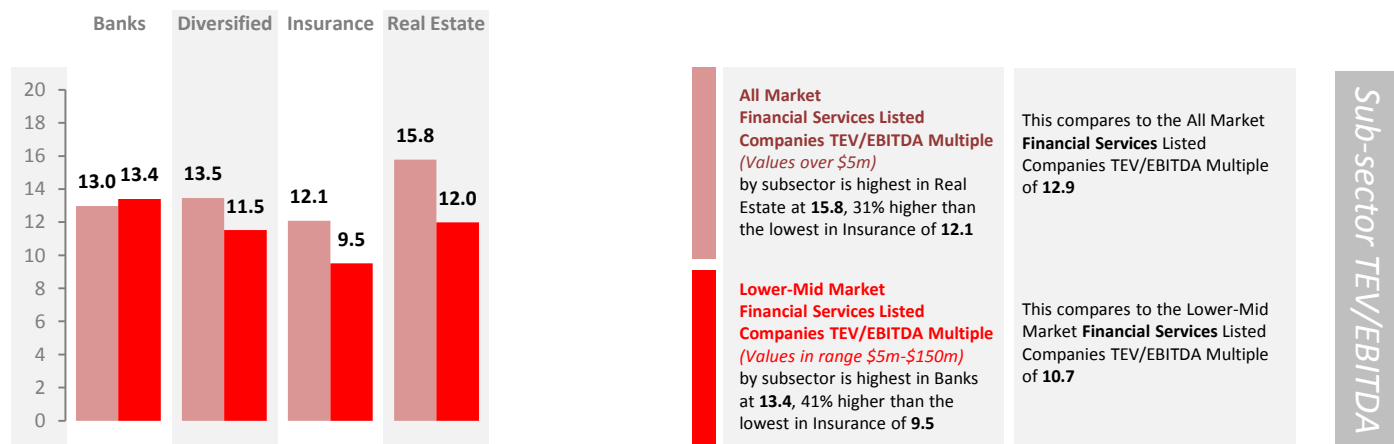
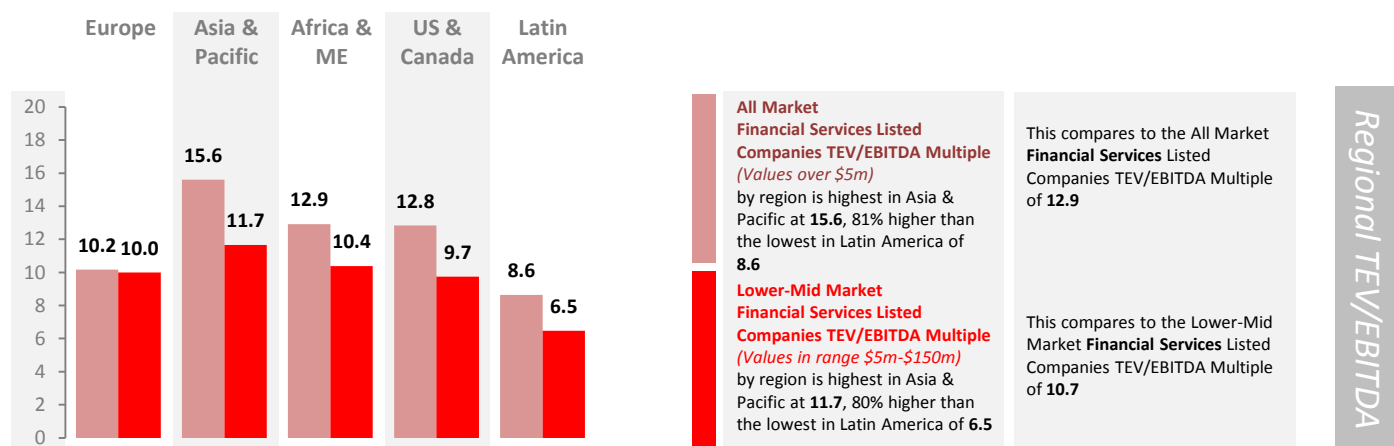
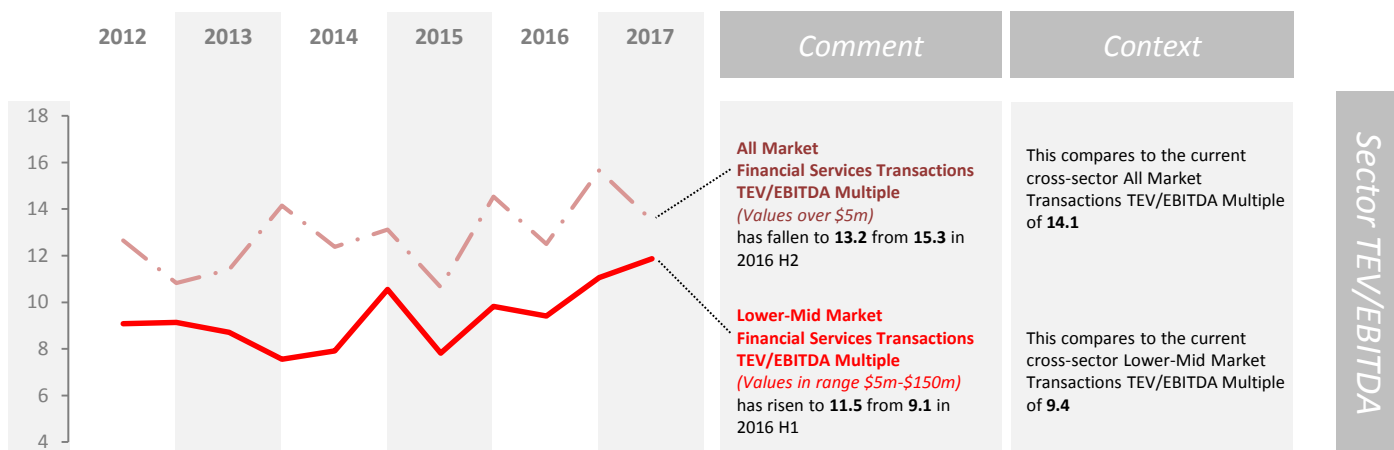


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# M&A trends & market analysis

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 August 2017.



## The sector M&A landscape

During the Perth 2017 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 continued tightening of regulation, in spite of some policy uncertainty. More details can be obtained from team members or regional heads – see contact details below.

### Sector themes

#### US Big Dealmaking Declines

Companies have been shying away from large takeovers following President Donald Trump's failure to move ahead with overhauling the American tax code. This is coupled with European uncertainty around Britain's extraction from the European Union.

#### Medical Services Activity Up

Low interest rates, higher deal leverage multiples, cash on private equity and strategic balance sheets allowed for continued consolidation in the medical services sub-sector. This has been further driven by greater demand for, amongst other things, non-invasive surgeries.

#### Cyberattacks

Some of the industry's most established companies, including Merck, Beiersdorf and the British NHS, were subject to the WannaCry ransomware attack this summer. Many healthcare institutions have taken to implementing some more sophisticated IT systems, as well as adhering to more stringent digital housekeeping. At the end of August 2017, the FDA announced that approximately 500,000 implantable cardiac pacemakers require a firmware update to address cybersecurity vulnerabilities. One lesson learned is that healthcare products with digital components require special quality management attention in general and even post market introduction to remain secure.

### Notable recent transactions

#### Johnson & Johnson acquired Actelion

J&J has closed the acquisition of Swiss company Actelion for \$29.4bn. Actelion has spun off its drug discovery operations and early-stage clinical development assets into a newly created Swiss biopharmaceutical company, Idorsia Ltd.

#### Becton Dickinson to Acquire Bard

The \$24bn deal adds Bard's devices to Becton Dickinson's portfolio in the high-growth sectors of oncology and surgery. The deal is the latest in a string of deals in the MedTech sector.

#### Gilead to Acquire Kite Pharma

Kite is a leader in the emerging field of cell therapy in which a patient's immune cells are activated to fight cancer. The deal is expected to be worth \$11.9bn. Gilead's focus previously has been on infectious diseases, and this deal is seen as a move to diversify its portfolio.

### Lower-mid market observations

#### MDR – Medical Device Regulation for CE marking

In May 2017 the MDR was published and will be mandatory from May 2020 onwards. Slowly, more and more potential impacts are coming to light. For instance, several products, and even some software, that had previously not been classified as a medical product will be classified as such. Extensive clinical data will be required, not only for new products, but also for the re-certification of proven products. Overall, quality management and regulatory affair (QM/RA) costs will noticeably increase resulting in a higher barrier to entry in favour of established oligopolists.

#### Shortfall in QM/RA Capacities Expected

Due to the MDR, notified bodies themselves need to recertify. Smaller institutions might not be able to comply. Therefore, we expect a consolidation wave in the sector. Over the next few years, both corporates and notified bodies will need more QM/RA capacities leading to a shortage in that area.

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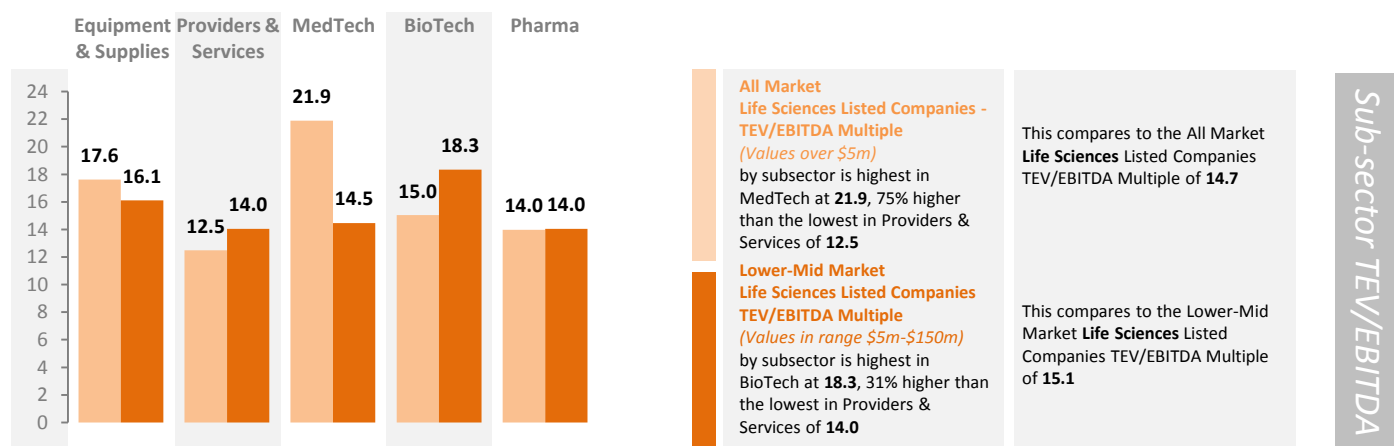
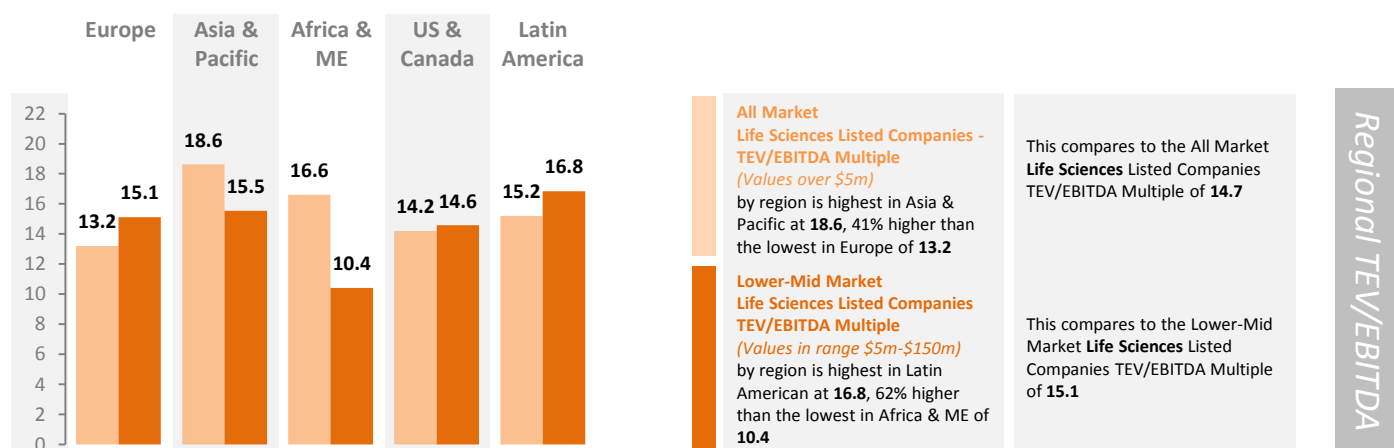
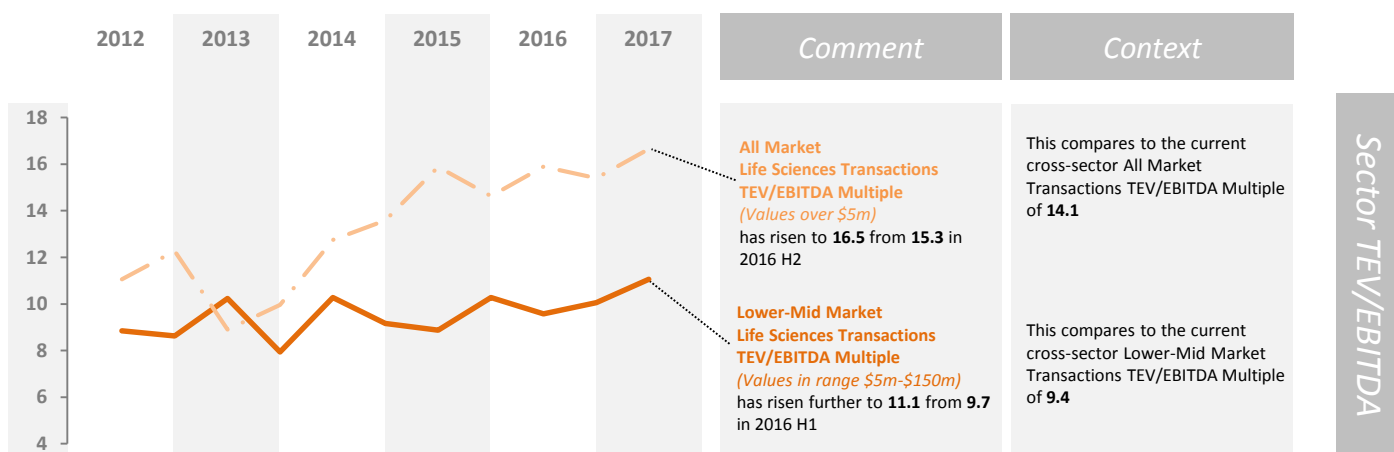


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# M&A trends & market analysis

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 August 2017.



## The sector M&A landscape

During the Perth 2017 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 emergence of technology and Internet of Things as a facet of manufacturing. More details can be obtained from team members or regional heads – see contact details below.

### Sector themes

#### New Era of Personal Transportation

Connected cars are making in-roads in the automotive industry; software designers are now more in demand than mechanical engineers. This coupled with the electrification of vehicles will lead to manufacturers adjusting their strategy. According to PWC's global automotive M&A report, large auto-tech deals quintupled in H1 2017 compared to H1 2016.

#### Digitalisation in the Chemicals Sector

Chemicals companies are seeking to improve customer experience by utilising the latest digital technology. One example of this is to track usage patterns of chemicals and products and proactively addressing customer needs.

#### Emerging Economies Taking Market Share

Engineering and contracting firms in rapidly growing economies have begun to adopt an outward-facing approach. Previously, these firms focused on their respective domestic markets, but are now competing on the world stage.

#### Low Cost Carriers Disrupting Airline Industry

The airline industry was once clear-cut in its definition of low-cost carriers and full-service carriers. These distinctions continue to be blurred as ultra low-cost carriers take market share from the once dominant full-service carriers. Overall, the industry continues to thrive as global passenger traffic grew 7.9% in H1 2017 over H1 2016 according to IATA.

### Notable recent transactions

#### SNC-Lavalin acquires WS Atkins

Diversified industrials company SNC-Lavalin has acquired WS Atkins in a \$2.7bn transformational deal. WS Atkins provides consultancy services in design, engineering and project management.

#### Rockwell Collins acquires B/E Aerospace

Aircraft interior manufacturer Rockwell Collins has completed the \$8.6bn acquisition of B/E Aerospace, a manufacturer of aircraft interiors and accessories, including lighting, lavatory systems and connectivity solutions.

#### Bridgepoint Acquires Miller Homes

Britain's largest privately owned housebuilder, Miller Homes, has been acquired by private equity group Bridgepoint Capital in a deal worth \$850m. Miller reported a 31% increase in operating profit between 2015 and 2016.

### Lower-mid market observations

#### Utilities Companies Empower Consumer

Schemes are being trialled that allow consumers to own grid-tied solar panels. These panels, and energy storage thereof, are provided by a utility company and allow the consumer to be a "self-consumer" of power.

#### Manufacturing now Multifaceted

Modern-day manufacturing has now become a multi-sector problem. With the rise of connected factories, and in-built logistics systems, companies view manufacturing as an area for sector-by-sector improvement.

#### Use of Data Analytics Shaping Maintenance

'Condition-based maintenance' is altering the way that service contracts and warranties are provided by companies. Constant monitoring of equipment allows companies to monitor wear, usage patterns and service timelines.

### Sector contacts



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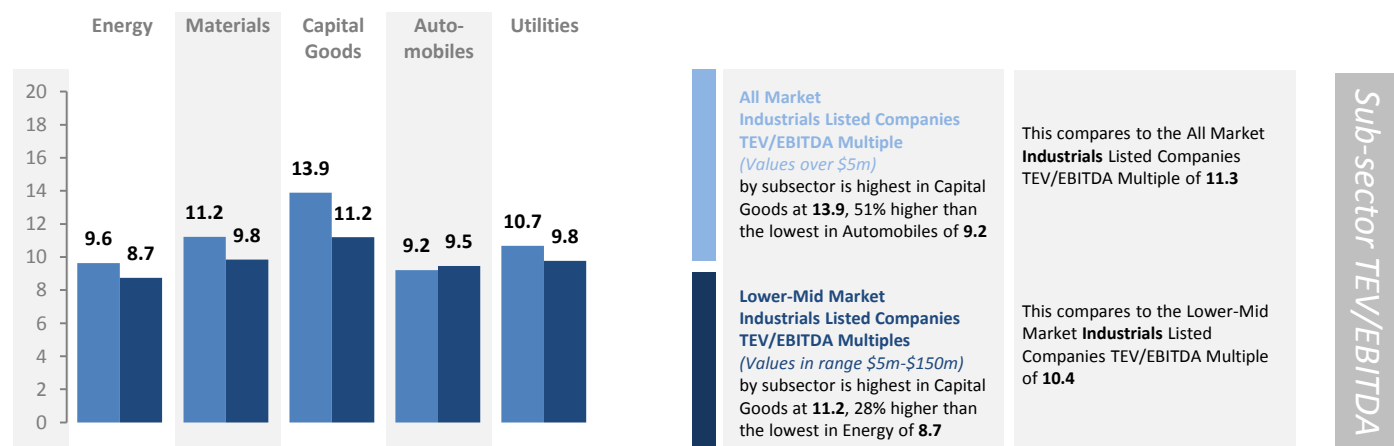
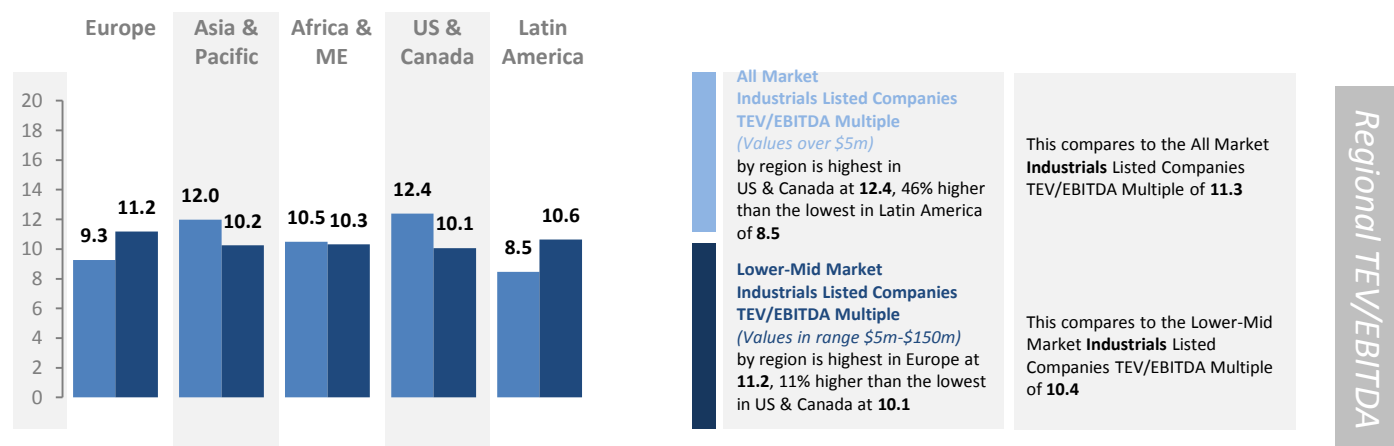
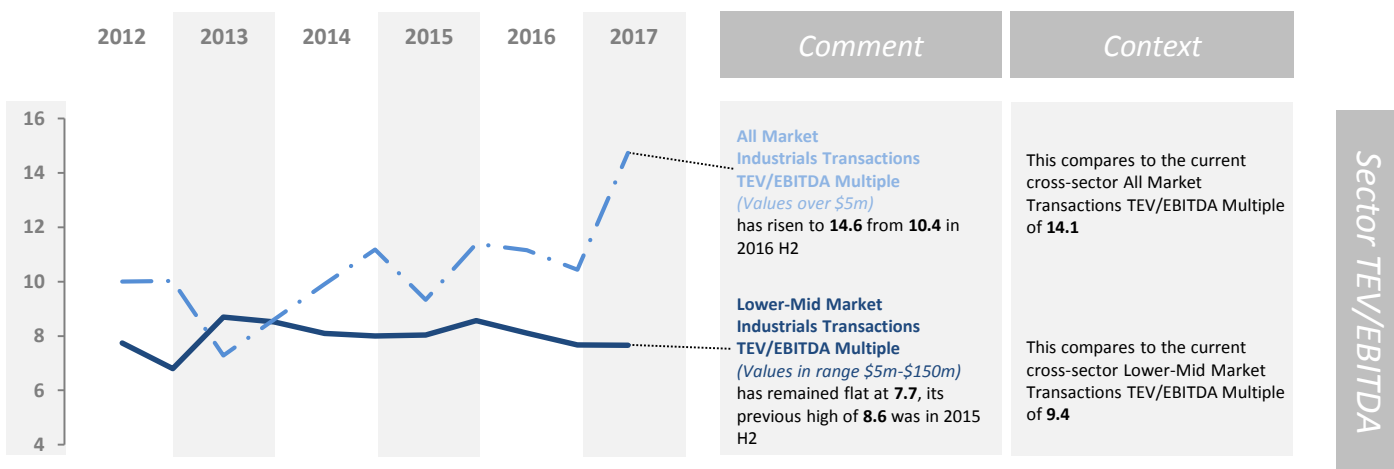
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# M&A trends & market analysis

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 August 2017.



## The sector M&A landscape

During the Perth 2017 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.

Key themes are acquirers undergoing unprecedented diversification, and how an understanding of the trends in digital disruption is critical to determining the best potential acquirers of services businesses. More details can be obtained from team members or regional heads – see contact details below.

### Sector themes

#### Freelance Employees Causing Disruption

Freelancers and network-based employees are disrupting traditional professional service subsectors by offering more tailored knowledge of buyers and providing a more 'high-touch' service.

#### Political Headwinds Subsiding

2016 was the year of political upsets. Trump is now well into his presidency, and whilst Brexit is still fraught with uncertainty, it is largely 'business as usual' for UK companies operating within the EU. Some believe, though, that Britain's EU extraction may take five or more years.

#### Robotics Shaping the Future of Logistics

UPS, DHL and FedEx are all experimenting with robotic loading and unloading of irregular parcels. Improved mapping technologies will allow robots to evaluate packets more accurately, as well as increasing efficient use of space in shipping containers and lorries.

#### Digital Driving New Business Models

Management consultancies are looking to reduce their over-reliance on senior consultants by applying more quantitative analysis and using automation to decrease lead times and increase efficiency.

### Notable recent transactions

#### Gartner Acquires CEB

Information technology research and advisory company Gartner, Inc. has acquired US best practice and talent management company CEB for approximately \$2.6bn.

#### GoGoVan and 58 Suyun Merge

The merger between GoGoVan and 58 Suyun has created the largest online intra-city logistics platform in Asia. The combined company is worth in excess of \$1bn. 58 Suyun is the logistics business of online classifieds giant 58 Home.

#### General Electric Completes Penske Equity Sale

GE has sold its final 15.5% stake in Penske Truck Leasing to the former partners of the business for around \$674m. Penske manages a fleet of around 250,000 trucks across America.

### Lower-mid market observations

#### Small Firms Carving Out Strongholds

Whilst the consulting sector is still traditionally dominated by the large firms, inclusive of the Big 4, smaller challengers are gaining momentum by focusing solely on a niche and offering a highly specialised service.

#### Consolidation Across the Consulting Market

More mature, mid-size, companies are being snapped up by major players in a bid to provide a full suite of services. This is, in turn, making it difficult for mid-size players to compete in a market where scale benefits matter.

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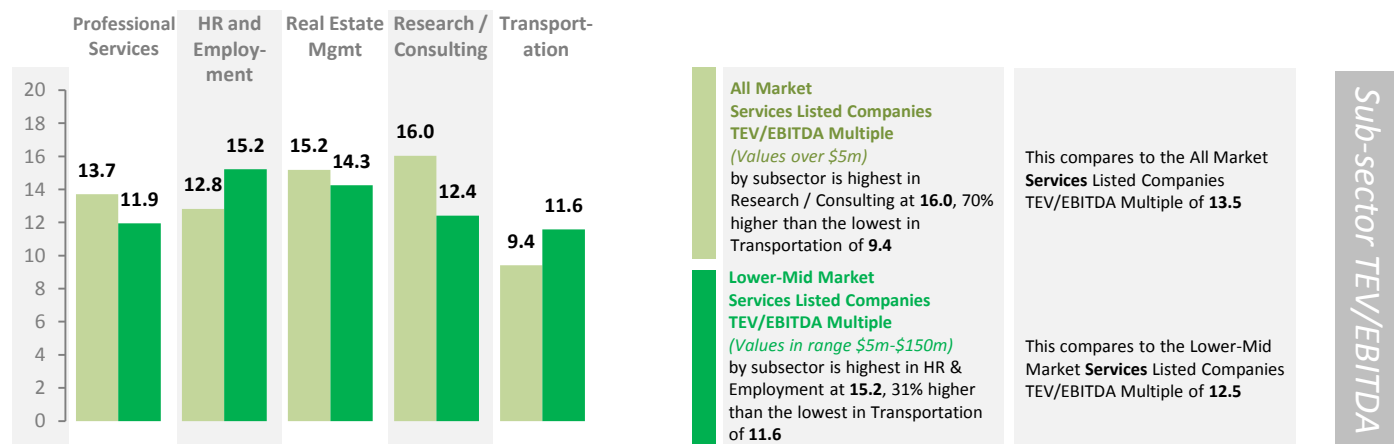
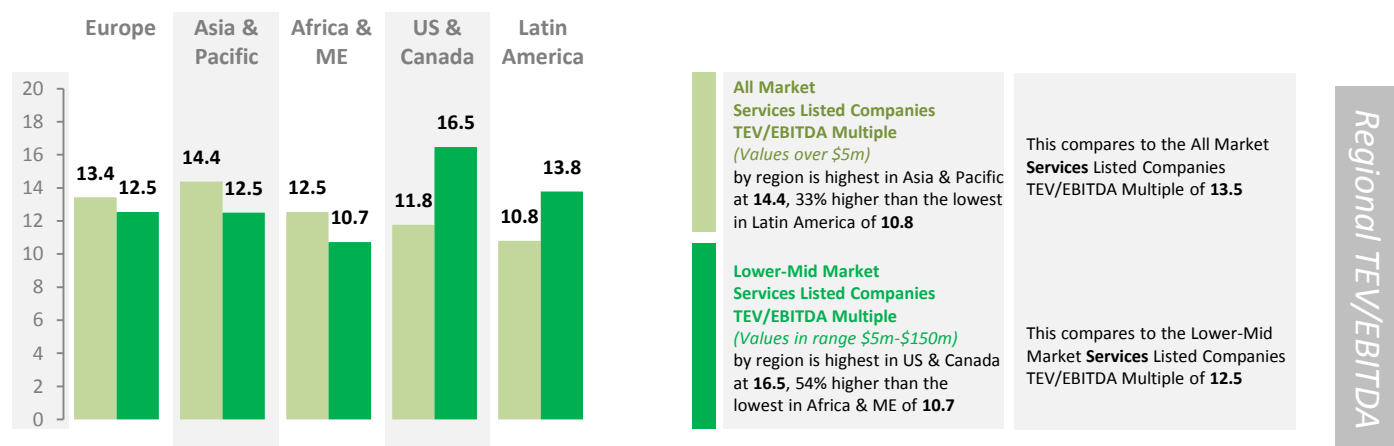
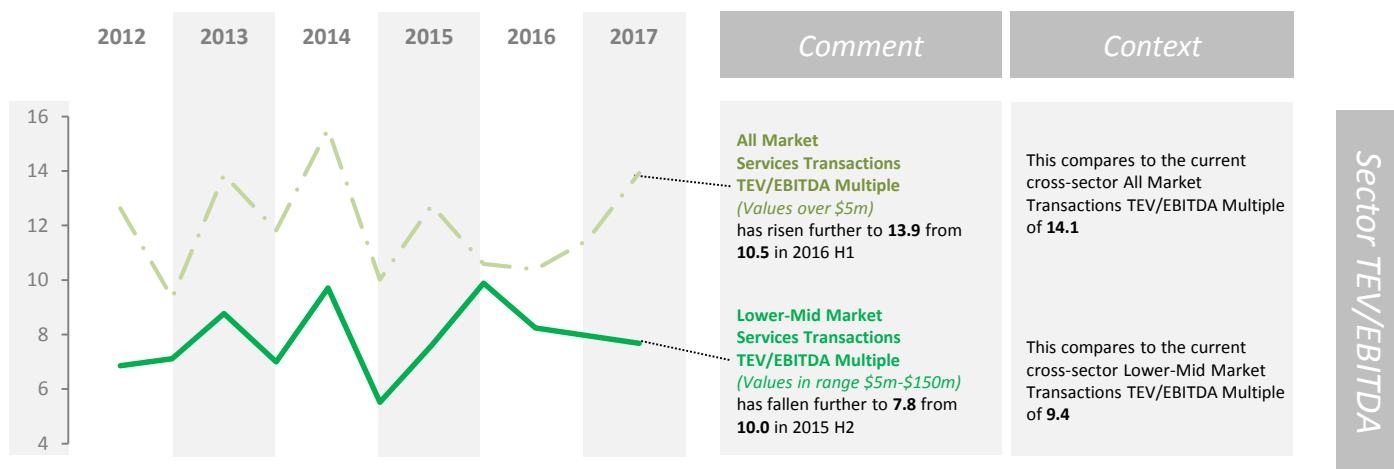


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# M&A trends & market analysis

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 August 2017.



## The sector M&A landscape

During the Perth 2017 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 establishment of venture capital arms by larger firms in order to nurture novel technologies. More details can be obtained from team members or regional heads – see contact details below.

### Sector themes

#### PE Buyers are Setting the Tone in the Market

Between direct and bolt-on acquisitions, private equity buyers are forecast to purchase c. 900 technology companies in 2017. Private equity remains a favoured asset class for institutional investors and the recycling of distributions from successful exits into new capital has led to a fundraising surge, generating substantial dry powder.

#### Cloud Transformation Fuels Activity in Software

As the enterprise market continues to slowly transition to the cloud, the requirement to support hybrid IT environments will drive M&A activity as larger players seek to broaden and deepen their product/service portfolios.

#### Chinese Buyers Continue to Make Presence Felt

As part of the country's One Belt, One Road initiative, China continues to support and modernise its traditional manufacturing industries through the acquisition of Western technology companies. This aggressive strategy has seen several deals fall foul of national regulators, such as the decision to block the €780m sale of German chip equipment maker Aixtron to a consortium of Chinese investors.

#### Automotive M&A Expected to Accelerate

The automotive sector has rapidly emerged as a key technology battleground, that has seen established players acquiring competence at all stages of the value chain.

### Notable recent transactions

#### Amazon Acquires Online Retailer Souq.com

Amazon has sought to strengthen its e-commerce footprint with expansion into the Middle Eastern market through the acquisition of Souq.com for \$580m in cash. The deal gives Amazon a strong footing in a relatively untapped market.

#### HPE Acquires Hyper-Converged Player Nimble

HPE has agreed to acquire flash-optimised storage vendor Nimble Storage for circa \$1bn in cash. Nimble had never turned a profit since its inception in 2008 and the price tag reflects the value to HPE of broadening their flash portfolio.

#### Eventbrite Profits from Pandora Misfire

Eventbrite has acquired leading ticketing platform Ticketfly from Pandora for \$200m. This deal comes only 2 years after Pandora acquired Ticketfly for \$450m, in a deal that was hailed as a landmark transaction linking music streaming data with ticket sales.

### Lower-mid market observations

#### Rejuvenated Funding Market for Deep Tech

Investments in IP-based technology companies have significantly increased in volume, across traditional sectors such as semiconductors (e.g. Graphcore, Kalray, UltraSoC), as well as more visionary areas such as flying cars (e.g. Lilium), microsatellites (e.g. ICEYE) and simulated worlds (e.g. Improbable). This environment seems likely to produce significant M&A targets in the near future, that would be expected to command high strategic prices.

#### Corporates Seek to Raise Visibility Over Targets

It is becoming increasingly common for trade buyers to establish venture capital arms, as a means of enhancing their visibility and understanding of the innovation taking place in their operating markets, as well as to deepen their pipeline of M&A targets. A nominal co-investment can often prove a cheap way of obtaining optionality over whether to acquire a potential target.

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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 August 2017.

