ALLEN & OVERY

Insights, **Q1 2015**

Contents

Executive summary: Momentum continues to build

M&A markets remained very busy in the first quarter of 2015 as a significant number of truly transformational M&A deals announced.

Q1 2015 HIGHLIGHTS INCLUDE:

COMPLEX TRANSFORMATIONAL DEALS CONTINUE

significant strategic deals are still the order of the day. Investors have the confidence to contemplate big and often complex cross-border deals.

BANKING BOUNCES BACK?

Banco Sabadell's GBP1.7 billion takeover of TSB, is the first big European cross-border banking deal since the financial crisis. Whether this is a turning point for the sector remains to be seen, for now most transactions remain relatively small and there's a shortage of buyers for distressed assets.

POLITICAL ACTIVITY CONTINUES TO AFFECT KEY MARKETS

uncertainty may explain the dip this quarter in Russia and Africa, while by contrast, growing clarity around economic policy in India is continuing to boost transactions.

STRATEGIC COMBINATIONS RESHAPE WHOLE SECTORS

deals to unlock earnings or propel companies into faster growing market segments were prevalent in the consumer and TMT sectors.

LIFE SCIENCES M&A SOARS TO NEW LEVELS

Q1 activity levels managed to rise even above last year's heady heights. The U.S. remains at the centre of activity, with the biotech and generics market particularly lively.

PLENTY OF FINANCIAL FIRE POWER

with cash on their books and debt financing readily available, corporates are often prepared to pay big multiples to edge out equally well-resourced PE funds and complete important strategic deals.

INFRASTRUCTURE PIPELINE BEGINNING TO FLOW

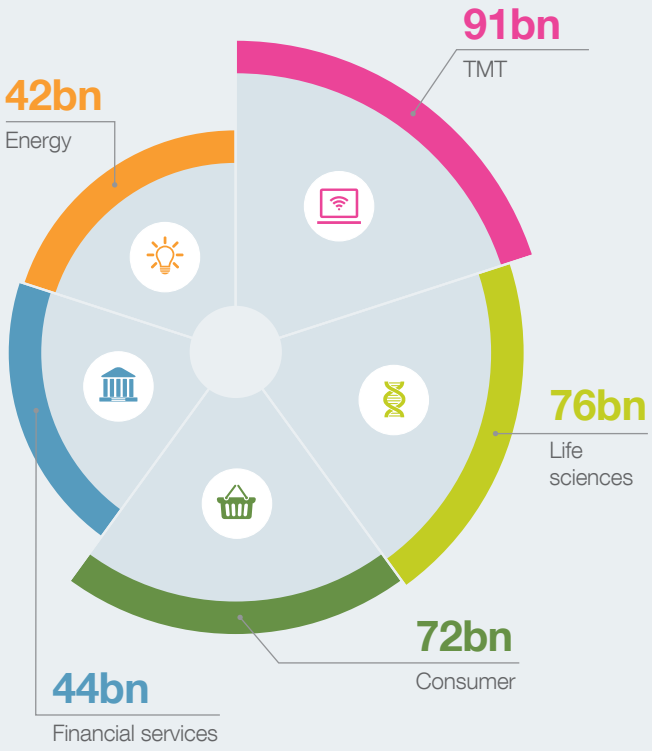
infrastructure had a busy quarter as a number of deals begun last year, notably in rail and energy, were completed, often at strong multiples.

OUTLOOK REMAINS OPTIMISTIC

strategic opportunities will continue to motivate buyers, but whether 2015 can sustain the pace of deal making seen last year remains to be seen.

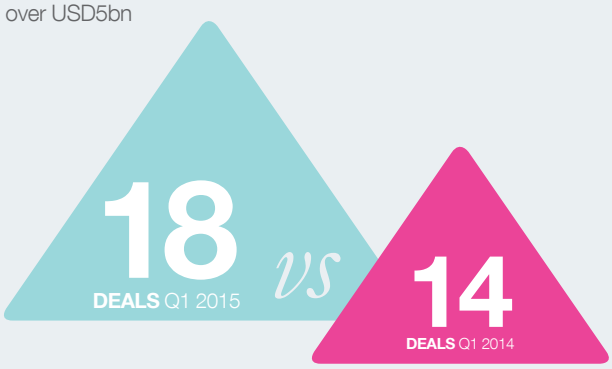
Global M&A in numbers Q1 2015

Top 5 sectors by value (USD)

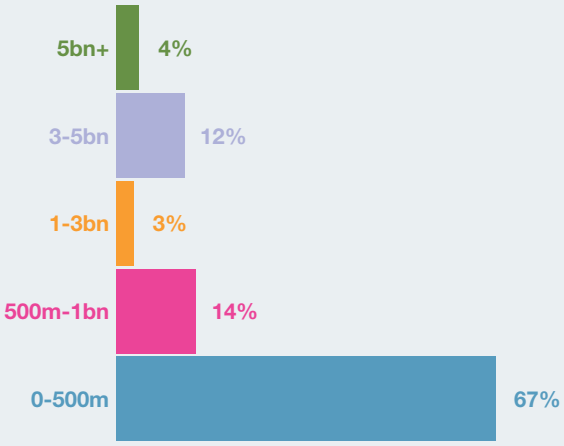


Increase in megadeals

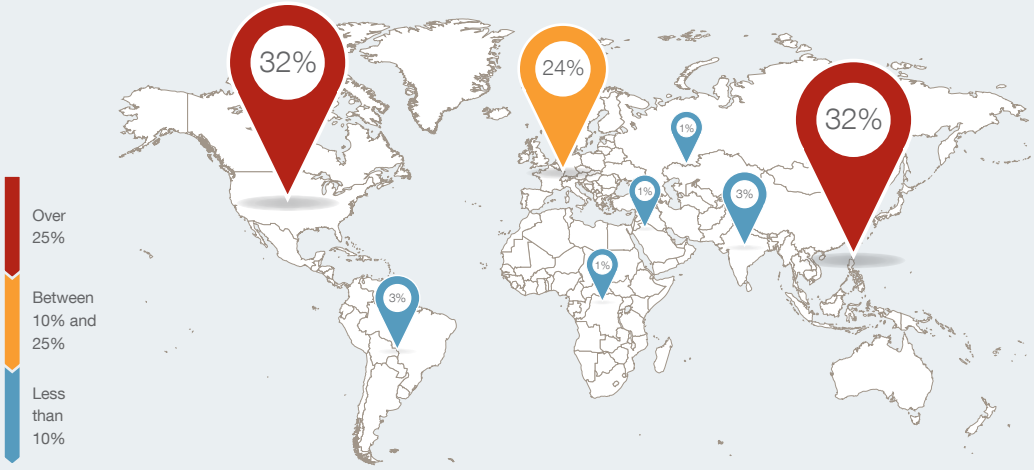
over USD5bn



Activity by deal value (USD)



Deal volumes by region



Region	% of deals by region
Asia Pacific	32%
U.S.	32%
Western Europe	24%
India	3%
Latin America	3%
CEE and CIS	1%
MENA	1%
Sub-Saharan Africa	1%
Other	3%

Note: These figures represent the total number of deals worth over USD100m and announced between 1 January 2015 and 9 March 2015 inclusive.

In focus
'Protectionism' in M&A: A mixed picture

Just how often is the national 'champion' card played such that cross-border M&A deals are blocked or hampered? With last year's cross-border M&A deals having been at their highest levels since before the financial crisis, we focus on some recent market trends and developments on 'protectionism'.

'Protectionism' can come in many guises. For example, foreign investment restrictions, antitrust regimes and takeover rules can be used as levers for states or regulators to block or influence the outcome of a deal.

The policies and objectives underpinning these rules are often quite different and can give rise to unexpected results. For example, China has not, as of yet, formally used its national security rules adopted in 2011 to stop a foreign company from acquiring control of assets or companies controlled by Chinese entities. But instead, Chinese authorities have flexed their antitrust rules and applied them very broadly in ways that have been viewed as protecting local industry.

When it comes to identifying market trends and sectors that are likely to attract more scrutiny, the picture varies quite considerably. A state's policy at any particular point in time will inevitably be influenced by external drivers, such as economic and geopolitical factors.

A good example is **France**, which has expanded its controls of foreign investments to energy supply, water supply, transport networks, electronic communication services and public health. This was done at a time when the French government was openly opposed to the proposed acquisition by General Electric of Alstom's electricity generation assets and indirectly solicited Siemens to make a competing offer for Alstom's assets.

The deal completed with a number of commitments being given by General Electric to France. Bouygues, the main shareholder in Alstom, immediately allowed France to exercise 20% of Alstom's voting rights through securities-lending arrangements and supported France's appointment of two directors. In parallel, France entered into an agreement with Bouygues giving it certain other rights over part of the Bouygues stake lent to it.

On the back of this transaction and of Vivendi's sale of SFR to Numericable, the AMF is proposing that rules should be introduced requiring a French-listed company to seek shareholder approval for sales of major assets.

Other rules have also been brought in giving French-listed companies more protection against hostile bids (and other steps by bidders to take *de facto* control). These include the introduction of automatic double voting rights for longer-term shareholders which, among other measures, was seen by many as a sudden injection of economic patriotism into French takeover rules.

Economic and geopolitical factors are continuing to have an important impact on M&A deal execution in **Russia**.

Economic and geopolitical factors are continuing to have an important impact on M&A deal execution in **Russia**. While very few M&A transactions have been formally blocked over the years – most major transactions tend to be cleared before execution – there has been a recent trend for increased 'protectionism' in certain sectors, such as media and telecommunications. In contrast, other sectors in Russia have been opened up, such as oil and gas, again as a response to tensions with western countries (and, in particular, EU and U.S. sanctions), but here with the aim of attracting foreign investment to support the Russian economy. Rules have been amended recently to increase the ceiling for an individual foreign state to acquire a stake in a Russian subsoil strategic company. And, while previously a hard line was often taken in relation to approvals of sales of major subsoil assets to foreign investors (particularly investors controlled by foreign states), this has softened and has led to a number of cross-border M&A transactions being recently announced, including the proposed sale by Rosneft Oil Company of a minority interest in one of its major upstream assets, Vankorneft, to China's CNPC in late 2014.

Overall, however, investment levels in Russia have been decreasing despite government moves to attract foreign investment, including plans to privatise a number of state-controlled champions in the medium term and the establishment of the Russian Direct Investment Fund, which can only co-invest with foreign investors. Reasons for this include the fact that U.S. and EU sanctions targeting Russia have placed a number of restrictions on western companies' ability to finance and invest in Russia and Eastern Ukraine, particularly in the oil and gas sector. The recent court ruling to nationalise, in effect, a domestic company's substantial stake in the large Russian oil company, Bashneft, is contributing to market uncertainty.

Other countries where the picture is mixed and where restrictions very much depend on the sector involved include Australia, Canada, China and the U.S.

In **Australia** there appears to be a two-fold approach to 'protectionism'. On the one hand, there seems to be an overall trend for decreasing 'protectionism', so long as there is a potential upside for the Australian economy. Recently, for example, the Australian government has taken a number of positive steps to attract foreign investment, including entry into bilateral trade agreements with Japan, Chile and South Korea. An equivalent agreement with China is also expected to be signed this year. These agreements, together with existing bilateral agreements with the U.S. and New Zealand, smooth the way for deals involving non-government investors from those countries by raising deal notification thresholds (other than in sensitive sectors).

Another indicator of a trend for decreasing 'protectionism' is that only a very small number of transactions have been blocked outright under foreign investment restrictions.

On the other hand, areas that have drawn particular public and governmental scrutiny of late are agricultural land, agribusiness and residential real estate. Recently, a lower approval threshold was introduced for proposed transactions by foreign investors in agricultural land, and the government has also announced plans to introduce a foreign ownership register for agricultural land. A consultation process is underway to introduce a new screening threshold for foreign investment in agribusiness, new foreign investment application fees and substantial fines for breach of the residential real estate foreign investment regime.

> "In the UK there have been very few cases of active *'protectionism'*."

Meanwhile, in **China**, the overall trend is a loosening of restrictions on inbound and outbound investments. But, some specific sectors such as IP-heavy sectors and/or consumer goods (including telecommunications devices, food and automobiles) are closely guarded. For example, MOFCOM conditionally cleared Microsoft's acquisition of Nokia's devices and services business in 2014 and imposed restrictive conditions on both parties in terms of their intellectual property rights. In airing its concerns, it became clear that what MOFCOM was primarily interested in was protecting China's smartphone industry rather than protecting its users. The recent decision by China to drop leading foreign technology brands from its approved state purchase lists should be assessed in the same context. In addition, China has recently imposed substantial fines on Qualcomm and introduced strict pricing limitations for abusive patent licensing practices, creating doubts about the level of legal protection enjoyed by companies already operating in China. More scrutiny is expected in these IP-heavy and/or consumer goods sectors.

Intervention by the **U.S.** government to prevent or mitigate foreign investment has generally been limited to national security grounds. The CFIUS reviews transactions which could result in control of a U.S. business by a foreign person (in order to determine their effect on national security) and which have either been voluntarily notified to it by parties or in respect of which it has launched its own investigation.

Between 2009 and 2013, CFIUS launched an investigation in respect of approximately 40% of transactions which sought CFIUS approval: this represents a significant uptick in the number of investigations by the Obama administration as compared to the last administration. An example of this is when a U.S. company owned by two Chinese nationals, Ralls Corporation, was ordered in 2012 by President Obama to divest four wind farm projects in Oregon as the wind farm sites were too close to a U.S. navy restricted airspace and bombing zone. This was the first Presidential Order to divest in more than 20 years and, although Ralls challenged the Order in a lawsuit, it ultimately divested the foreign ownership of the wind farm projects.

A complete divestiture or abandonment of a proposed merger by the foreign investor may not always be required. Mitigation tools may be used to limit or restrict the foreign involvement to allow the transaction to proceed.

In **Germany**, investment has been largely welcomed, with foreign investment restrictions only being invoked in very limited circumstances.

Similarly in the **UK** there have been very few cases of active 'protectionism'. And, where the government has stepped in on merger control public interest grounds, this has tended to be due to public security concerns. But this has not stopped other public scrutiny (eg media and political debates) of some high-profile bids by overseas bidders for national 'champions', some of which has prompted recent regulatory changes and has rekindled the debate over whether a broad public interest test should be reintroduced as the test for assessing UK mergers.

Following U.S. company Kraft's bid for Cadbury in 2010, rules were introduced to give more power to targets to defend hostile bids, such as rules which limit the period under which a target can be subject to siege from a possible bidder. Some of the more controversial measures debated by politicians, on the other hand, were parked. The possible bid by Pfizer for AstraZeneca in 2014 also saw a fresh debate taking place around whether the grounds on which the government can intervene under merger control rules should be expanded to include, in this case, protection of R&D and technology.

Independently, new UK takeover rules were introduced to give the regulator enhanced powers to monitor and enforce commitments made by parties either to take or not take certain action after the end of an offer. This was prompted by commitments made by Pfizer in relation to AstraZeneca regarding, for example, the decision to base key personnel in the UK.

While 'protectionist' tendencies have been increasing in some countries, and/or in particular sectors, and they remain an important consideration in these contexts, the overall proportion of cross-border M&A deals that are blocked or hampered as a result is, in practice, relatively small.

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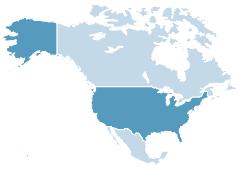
Regional insights

Many markets continue to see strong activity, notably the U.S. and Western Europe, with strategic deals to the fore.

U.S.

Buyers competing for deals



The U.S. market remains the centre of global deal making activity and we expect that it will stay strong as the year unfolds.

Investors may have a few more concerns now than they did last year when every macroeconomic chart seemed to be moving very steadily from the bottom left hand corner to the top right but that is not depressing confidence levels. The general consensus is that U.S. interest rates will rise this year and that has seen the dollar strengthen against key currencies, notably the euro, putting pressure on U.S. firms that earn a lot abroad. Equity markets have become a little choppier of late in response.

However, several strong fundamental factors continue to be underpinning the market and we expect that M&A activity should continue to be strong, with the U.S. maintaining its position as the leading market for M&A.

The first is that the life sciences sector continues to be abuzz with deals at all levels of the sector – whether big-ticket, whole-company M&A by the big players or collaborations and ventures between smaller businesses. They are being driven by clinical outcomes that promise some potentially impressive returns.

The first quarter saw some significant transactions, not least Valeant's successful USD11bn acquisition of Salix, its first transaction since last year's thwarted bid, helped by an activist shareholder, for Allergan, which itself ended in the arms of a White Knight bidder. Valeant had to overcome a topping bid from Endo to win this one. Pfizer was also back on the acquisitions trail following last year's failed bid for AstraZeneca, with a USD17bn bid for Hospira, the maker of generic drugs. AbbVie too acquired Pharmacyclics for USD21bn.

Another vote of confidence in the U.S. market was Heinz's (Warren Buffet and 3G Capital-backed) USD40bn bid for Kraft.

Elsewhere, one of the most interesting developments of recent months is Proctor & Gamble's announcement that it is considering hiving off its beauty products business into a separate company. This underscores an important corporate theme of recent years – the move by many businesses to stick to their knitting and focus on their best, and their highest margin, interests.

Underlying this trend is another important theme – shareholder activism. Companies – even the most iconic names on the U.S. corporate landscape – recognise that if they don't make such moves themselves, someone else will come along and do it for them.

PE funds are also notably more active in making exits at the moment, using still favourable conditions to divest of portfolio businesses acquired a few years ago – often at considerable premiums.

The U.S. market remains the centre of global deal making activity and we expect that it will stay strong as the year unfolds.

One part of the market that does look fairly depressed though is energy, where steeply falling oil prices have certainly shut off a number of deals that might have been done in a higher price environment. We did, however, see one sizeable deal in the oil pipelines sector – the USD17bn merger between Energy Transfer Partners and Regency Energy – that is seen as a strategic response to lower prices.

The question is whether we will see an increasing number of distressed M&A transactions involving businesses that did deals predicated on oil prices staying high. One possibility is that the super majors will take this opportunity to finally start investing in shale – an opportunity missed at the start of the boom. They certainly have the resources to do that.

Our feeling is the market, generally, remains strong and a technical issue would appear to confirm this. Sellers are now commonly requiring buyers to take out warranty and indemnity insurance, rather than escrow, to cover post-closing liabilities. That's been a feature of other markets in the past, but not the U.S. The fact that it is now prevalent indicates the high number of buyers that are out there competing for deals.

WESTERN EUROPE

Fewer completions, but still fizzing

M&A markets in many parts of Western Europe remain very busy, even though the statistics clearly show that the fever pitch of activity seen in 2014 slowed, perhaps indicating that it's taking longer than usual for deals to complete.

That's not surprising. We're seeing some highly significant strategic deals at the moment, which are, by their nature, complex to structure and close. Nowhere is that more true than in the UK which, buoyed up by strong economic fundamentals, the ready availability of corporate cash and excellent access to equity and debt financing, saw a raft of important transformational deals in Q1.

These included Banco Sabadell's GBP1.7bn bid for TSB, formerly part of Lloyds Bank. It is one of the first big European cross-border banking transactions since the financial crisis and proof that some in an otherwise quiet sector are once again prepared to consider strategic deals taking them into new geographies. Insurance is also a particularly lively area where we saw the acquisition of two UK groups, Caitlin and Brit, by XL Group and Fairfax Financial, respectively.

The UK telecoms market is consolidating fast. Following BT's offer to buy EE for GBP12.5bn, from Deutsche Telekom and Orange, O2 quickly announced it had entered into talks about a GBP10.25bn takeover by Hutchison Whampoa, operators of the 3 network, with the deal sealed at the close of the quarter.

Meanwhile ownership of the rail infrastructure sector continues to shift following CKI's successful acquisition of Eversholt Rail, the second big rolling stock company to change hands in recent months, with a third now rumoured to be on the block.

Following a very strong 2014, the German M&A market also remains busy but with fewer large transactions than last year and a growth in mid and small cap deals. There were still some highly significant deals, however, including the EUR3.3bn merger of the science and academic publishing businesses of Holtzbrinck and BC Partners and the EUR1.8bn public takeover of tool manufacturer Gildemeister by Mori Seiki, which already had a 25% stake in the business. With the real estate sector quieter, particularly in terms of big portfolio deals, we nevertheless saw Deutsche Wohnen pay EUR1.2bn to acquire its Austrian competitor Conwert.

Among significant smaller transactions we saw Warren Buffet's Berkshire Hathaway acquire motorcycle equipment maker Detlev Louis for some EUR400 million, a deal that Buffet has hinted opens the door to further German transactions. While PE funds were quieter in Q1, Centerbridge did acquire Senvion, the German subsidiary of Indian wind turbine producer Suzlon, for approx EUR1bn.

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It was a busy quarter in the Netherlands for both transactions and equity capital market activity. We saw a number of IPO announcements, including the listing of Refresco Gerber, the soft drink bottler, and spirit maker, Lucas Bols. An active financial services sector saw Dutch insurer Vivat sold by state-owned SNS Reaal to China's Anbang, in a deal worth some EUR1.4bn, while the standout PE deal was CVC's decision to invest at least EUR300m for a 65% stake in DSM's polymer intermediates and composite resins businesses.

TMT remains a hot sector in Belgium, with increasing moves to consolidate mobile, cable and content. Liberty Global has finally been cleared by the European Commission to take a 50% stake in broadcaster De Vijver, owner of two Dutch TV channels, via its subsidiary Telenet. Rumours also persist that Liberty's John Malone and Altice's Patrick Drahi are both interested in acquiring KPN's mobile and digital TV business, Base. But France Telecom has quashed recent talk that it wants to sell its profitable Belgian mobile operation, Mobistar.

TMT was the star sector in Italy too with a raft of deals, including Albertis' EUR693m acquisition of a 90% stake in Galata from Wind Telecomunicazioni and the completion of a EUR3.5bn merger between International Game Technology and GTECH. Italy's EI Towers is also trying to acquire Rai Way, in a deal estimated at approximately EUR1.2bn. But life sciences also saw the EUR2.4bn merger of Cyberonics and Sorin, creating a new global leader in medical technologies.

We expect that financial services will remain very active in Italy this year with consolidation expected between small and medium-sized banks due to the upcoming reform of the ten largest popolari banks. UniCredit Bank continues to exit non-core business in Italy and has signed an agreement with affiliates of Fortress Investment Group and Prelios to sell UCCMB, including its portfolio of EUR2.4bn non-performing loans. During the next few months the government's proposed privatisation programme should get back on track too, with 40% of Poste Italiane and Ferrovie dello Stato, 5% of Enel and 49% of Enav likely to be sold.

With investors appearing relatively relaxed about Grexit – a potential Greek exit from the euro – the general feeling in many markets is that transaction levels will remain strong for the rest of 2015.

CEE AND CIS

Lowest tide

Russia's economic woes and the continued uncertainties flowing from the Ukraine crisis continue to deter investors and dampen M&A activity across the CIS and CEE region. In fact, the level and value of completed transactions were at their lowest ebb for many years in Q1 – lower even than in the aftermath of the global financial crisis. That said, the levels of activity that we are experiencing possibly suggest a different story, at least in terms of current auction activity.

Activity in Russia is, not surprisingly, particularly slow, although established investors with a long-term view continue to buck the trend and are doing deals despite the imposition of U.S. and EU sanctions.

With many assets undervalued at the moment, Russian PE funds continue to scout for well-priced deals, particularly those arising out of potential distress situations. We also continue to see some small deals involving state-owned groups.

Elsewhere in the region there is actually more activity than the somewhat subdued statistics suggest.

There are some good-sized pan-CEE deals out there, including DS Smith's acquisition of Duropack from CP Group 2, a subsidiary of One Equity Partners. This was a recycled corrugated board packaging business with operations across South Eastern Europe, comprising 14 packaging sites, two paper mills and 18 recycling sites across nine countries. In addition, Advent is reported to be selling Partner in Pet Food, another pan-CEE, Hungary-headquartered business, to Pamplona.

A healthy pipeline in the Czech Republic suggests activity will improve as the year progresses. Czech investors have also been more active in cross-border deals in recent months. Energy group EPH, for instance, has agreed to buy both E.ON's coal and gas assets in Italy and Eggborough Power, the UK-based coal-fired power generation facility. Soft drink maker, Kofola, is to acquire Slovenia's Radenska and we expect to see other activity by Czech investors in Slovenia.

Czech investors have also been more active in cross-border deals in recent months.

The sale of Citi's retail business in the Czech Republic and Hungary continues, and the sale of the Zuno internet banking business in the Czech Republic and Slovakia by Raffeisen Bank International is kicking off. UniCredit Bank is purchasing Transfinance, a leading provider of factoring services in the CEE region, from Poland's mBank. The quarter has also seen SC Johnson acquire household goods group, Homebrands, and AMC Network International acquire IKO, operator of the Film+ Czech/Slovak TV channel.

In Poland a number of delayed deals finally got away, including Advent's auction of American Heart of Poland, a network of cardiology clinics. U.S. broadcaster, Scripps Network, owners of the Travel Channel, also recently acquired a majority holding in TVN, the private TV station for some USD613m. And we have seen a number of banks being sold by foreign owners, including General Electric selling Bank BPH and Raiffeisen Bank International selling Raiffeisen Bank Polska.

In Hungary, there continues to be a mixed picture – the latest macro-economic data suggests an improving economic environment, but the politics remain challenging. MTG announced that it was selling its Hungarian free-TV operations to Sony Pictures Television.

At the same time, the Hungarian government and the EBRD announced that they were to take a 15% stake in Erste Bank Hungary. Some optimistically see this as a possible turning point for the government's negative stance on the banking industry; others are more sceptical.

While the sale of ENEL's operations in Romania have been suspended, the process in Slovakia continues. This would be a very significant deal if it goes ahead.

MIDDLE EAST AND NORTH AFRICA

Continued investor confidence

While Q1 began with a dip in transaction values and volume against the previous quarter and the first quarter of 2014, there are reasons to believe the outlook is positive. The markets seem to be showing resilience to volatility in oil prices, while the amount of inbound deals, particularly into the UAE, shows the continuing confidence of international investors in the region. Healthy growth is predicted as increased spending by investor groups, PE houses and family businesses contributes to a boost in M&A figures, both in terms of outbound activity and domestic deals.

The year began with a significant domestic deal – the acquisition in January by Qatar Holdings, the investment arm of the state of Qatar, of a minority stake of 61.9 million shares in Al Khaliji Commercial Bank from Qatari Diar, for a consideration of approximately USD370m.

Rocket Internet AG, a Germany-based e-commerce group, announced its agreement to acquire Talabat, the Kuwait-based provider of online and mobile food delivery services, for USD170m. Talabat is well established in the Gulf region with over 1,300 restaurants on its platform. The acquisition provides Rocket with market-leading positions in both Saudi Arabia and the UAE, the top two markets in the Middle East.

In February, PE houses Abraaj Capital and U.S.-based TPG Capital Management agreed to acquire 60% of Saudi Arabia-based fast food restaurant operator Kudu Catering Company, for a consideration of USD320m. It is the first investment in the Middle East for TPG and highlights the increasing level of interest among international PE players in assets in the region. This increasing interest was a notable trend in 2014 and is expected to continue through 2015.

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The standout deal of the quarter is the spin-off by OCI NV of Dubai-based Orascom Construction Limited (OCL), OCI NV's engineering and construction business, and its subsequent listing. The spin-off was effected via a tax-efficient reduction of capital of USD1.4bn. OCL was then listed on NASDAQ Dubai and the Egyptian Stock Exchange, continuing the increase in IPO activity that was seen in the UAE throughout 2014. The transaction is the first ever dual-listing on these two exchanges and required a series of high-level agreements to enable it to take place. OCL had to comply with Egyptian requirements to implement a capital raise on the Egyptian Stock Exchange simultaneously with obtaining its listing on NASDAQ Dubai – believed to be a first in the region. The transaction is expected to set a precedent and has already garnered significant interest from Egyptian companies in pursuing similar transactions.

SUB-SAHARAN AFRICA

Politics slows deals

After a buoyant 2014, the region had a much quieter first quarter with completed deals well below the same period last year and the preceding quarter.

That's partly thanks to a bout of political uncertainty in the Africas' two biggest economies, Nigeria and South Africa.

Nigeria, particularly, has been gripped by political jitters following the postponement of presidential elections, which finally took place in late March, some six weeks

late. Despite some opposition protests, the government insisted the army could not guarantee the safety of voters until it had completed operations against Boko Haram insurgents in the north of the country. There had been something of a race to get deals done ahead of the elections. Inevitably some missed the deadline and are likely to stay on hold a while longer.

Meanwhile, doubt has been sewn in the minds of some investors by South African President Jacob Zuma's recent announcement of a package of land reforms, including new measures to prohibit foreign ownership of land (later clarified by a spokesperson as relating only to farmland).

The communications sector – particularly busy in 2014 – continues to be active.

Dealmaking in South Africa's mining sector also remains sluggish with a few disposals contemplated for 2015. South African corporates are seeing continued activity, but most of this has consisted of domestic investment and restructuring. There have also been a number of investments by foreign entities into established renewable energy projects, but foreign investors in many sectors continue to harbour concerns about low growth rates, labour unrest and unreliable power supplies.

By contrast, in francophone West Africa mining has come back into the spotlight, not least in the countries that have been most affected by Ebola. With optimistic signs that the worst of the epidemic may now be over, there's been a spike in activity as old deals, put on hold during the crisis, re-emerge. We expect two such deals to move ahead in Guinea, for example. Energy is once again showing signs of life, as well.

The communications sector – particularly busy in 2014 – continues to be active. VimpelCom has announced the sale of its stake in Telecel Zimbabwe, following earlier disposals in both the Central African Republic and Burundi. Orascom has also completed the sale to Orange of its 5% stake in Egypt's second-largest mobile operator, Mobinil, for some EUR210m.

As we suggested in our last edition, consumer goods and food are an increasingly interesting target for investors as economic growth in the region – predicted by the IMF to hit 5% in 2015 – picks up. We expect this trend to continue, backed by continued increased activity in more traditional sectors, such as infrastructure, energy and natural resources.

INDIA

Strategic direction

With the first anniversary of Narendra Modi's landslide election victory fast approaching in May, investors are now getting a much clearer picture of where India's majority government wants to go in terms of economic policy.

More flesh was added to the bones in February's national budget, when there were some immediate policy announcements, resulting in a clear sense of strategic direction, which has continued to lift investor confidence.

Among the standout measures announced was a new target of INR41,000 crores (USD6.8bn) for disinvestment in state-owned companies, with foreign investors likely to be the beneficiaries of some of this sell-off activity.

Promised tax reforms were also centre stage. Corporate income tax is to be reduced over four years, from 30% to 25%, revised laws to combat tax evasion will be introduced and a new single Goods and Service Tax will be introduced in April next year to replace the cumbersome and complex sales tax regime currently in place.

Tax incentives will also be offered to foreign fund managers to encourage them to relocate to India, while the deadline for concessional tax rates for foreign investors in government securities and rupee-denominated corporate bonds has been extended to 1 July 2017.

Finally, the implementation of the General Anti Avoidance Rules has been postponed until 31 March 2017. These rules will provide a greater degree of certainty on tax treatment to existing and potential foreign investors looking to take advantage of tax treaty benefits.

There have been some important regulatory changes announced too, not least the raising of foreign investment limits in the insurance sector from 26% to 49%, a move that should spark some significant M&A activity.

> "Investors are now getting a much *clearer picture* of where India's majority government wants to go in terms of economic policy."

With investors getting greater clarity on government policy, the steady increase in transactions started last year has continued into Q1. The number of deals grew in the quarter, while total values, reaching nearly USD9.7bn, were more than three times higher than the same quarter last year.

We saw activity across a wide range of sectors including healthcare, media, financial services, manufacturing and some aspects of infrastructure. Once again Japanese and U.S. investors have been prominent in seeking out deals to do in the region.

Highlight deals included the acquisition by Mylan Laboratories, the Indian subsidiary of U.S. pharmaceuticals giant Mylan, of Famy Care's female healthcare and contraceptive business for USD750m.

The quarter also saw Star India, part of Rupert Murdoch's 21st Century Fox group, buy the broadcast business of MAA Television Networks for a reported USD400m. With capital markets remaining busy, we also saw the successful USD500m IPO of Fairfax India Holdings Corporation, with 50 million subordinate voting shares issued at USD10 each.

ASIA PACIFIC

China powers ahead

The contrast in the number and value of deals being done in Greater China compared with the rest of the Asia Pacific region continues to be marked.

Let's consider the spike in Chinese deal values. As China's economy continues to grow rapidly – even if at a slightly lower rate than of old – many companies are looking to consolidate their interests in key sectors to gain a competitive advantage in the domestic market.

Often it is hard to tell whether this is driven by market forces or by government encouragement to help build businesses capable of competing on a global scale.

Another key driver for deals is a desire to simplify often sprawling interests to give investors far greater clarity. That appears to be the main motivation behind the reorganisation of Li Ka-shing's two listed vehicles – CKI Holdings and Hutchison Whampoa – in a deal involving total assets worth around USD100bn.

Inbound investment into China was relatively quiet compared with its domestic activity, although the quarter did see the Japanese/Thai joint venture China Tai Bright take a 10% stake in Hong Kong-listed CITIC, with a further 10% to be added later this year for a total consideration of some USD10bn. It is the biggest ever foreign investment to date in a Chinese state-owned enterprise, dwarfing previous Japanese investments in China.

The outbound story continues with a notable spike in financial services deals in various markets, as well as further consolidation at home. Two of China's internet and e-commerce giants, Alibaba and Tencent, also continue to have a voracious appetite for deals, both in China and across the globe. Much like their U.S. rivals, they are busy bolting on new businesses or seeing how best to leverage their huge customer bases (Alibaba is showing interest in expanding options for its payment services arm, for instance), as well as consolidating their current markets.

Australia has seen some interesting domestic and inbound deals. One standout transaction was the USD6.5bn acquisition of Toll Holdings by Japan's currently state-owned, but soon to be listed, postal services provider Japan Post Holdings. The combination will create one of the world's biggest logistics businesses.

"The outbound story continues with a *notable spike* in financial services deals in various markets."

Some read the deal as an encouraging sign that big-ticket M&A deals are coming back on the agenda. Although that's not yet a consistent theme, some successful, highly competitive processes do lend some weight to this optimism, not least the USD6.3bn sale of General Electric's financial services business in Australia and New Zealand.

This attracted a range of powerful consortiums, with the prize finally going to a group involving Värde Partners, KKR and Deutsche Bank.

Australia's promised infrastructure privatisation bonanza suffered a significant setback when Queensland's government was voted out in recent state elections. Proposed sales in that state will therefore not now go ahead. But subject to navigating the upper house, we should see a sell-off programme begin, starting with a long term lease of the New South Wales electricity transmission and distribution assets.

Reducing foreign exchange rates and a sustained dip in commodity prices could also revive M&A activity in energy and natural resources in Australia and elsewhere in the region, and we expect real estate to continue the process of consolidation that saw Federation Centres merge with Novion Property in Q1.

In Southeast Asia, Q1 was marked by a significant downturn in activity possibly due in part to banks building a pipeline for the rest of the year. There was also an extended period between Christmas and the Chinese New Year, which seemed to dampen activity.

There continue to be some deals, however, with the biggest likely being Temasek-controlled NOL's sale of its APL Logistics arm to Japan's Kintetsu World Express for USD1.2bn, which demonstrates the continued theme of Japanese outbound investment (although the target here was really a U.S./global business).

Generally, we continue to see cross-ASEAN dealflow and interest but the value of these deals is generally low when compared with China and other markets.

Myanmar continues to attract investor interest, primarily led by Japanese trading houses, although November's election could slow activity this year. It was Singapore's Rowsley and Vietnam's HAGL that announced the most interesting Myanmar deal in Q1, agreeing a USD550m joint venture to develop real estate in Yangon, the former capital and the country's most important commercial city.

In Indonesia, banks, insurers and other financial institutions remain hot targets for investors, although Q1 saw no big transactions completed. Insurance is also busy in Thailand, with a significant number of transactions in the pipeline. The Thai state-owned oil and gas giant, PTT, also announced the sale of a 15% stake in the refinery group, Bangchak Petroleum. Following this sale, expected to be worth over USD300m, PTT is likely to sell the remaining 12.2% of its stake to another buyer.

Sector insights

Life sciences was yet again a star performer in Q1, with the U.S. the focus of much activity. Infrastructure had a busy quarter too while the still sluggish financial services sector saw one of the first European cross-border deals since the financial crisis.

CONSUMER

Combinations remain king

After a generally lively 2014, activity in the consumer sector was mixed in Q1 although transaction values looked much healthier, inevitably inflated by one deal late in the quarter – the USD40bn takeover of Kraft Foods by Heinz. Creating a company valued at some USD100bn, it is the latest deal put together by Warren Buffet and 3G, the Brazilian PE vehicle.

3G has been behind some of the largest consumer-focused deals in recent years, including the takeovers of Heinz, Burger King, Tim Hortons and Anheuser-Busch. As well as giving Heinz the opportunity to use its global reach to exploit Kraft products, the deal will also allow access to crucial synergies at a time when U.S. processed food sales are struggling in the face of changing consumer habits.

Strategic combinations in the consumer sector have been prevalent over the last 18 months as companies exposed to declining segments or reduced margins have looked for ways to unlock earnings. The largest consumer-led deal in the UK in Q1 also followed this pattern as Rexam, the UK drinks can maker, was bought for GBP4.4bn by its U.S. rival Ball Corporation. This was also the driver for the recent major tobacco transaction, where Reynolds is acquiring rival Lorillard to provide greater scale in a declining U.S. market.

The search for faster growth segments is also having a bearing on consumer M&A generally. In the U.S., this was evident in J.M. Smucker's USD5.8bn acquisition of Big Heart Pet Brands from KKR. In the space of only a few years, J.M. Smucker has gone from a jam-focused group to one with interests in coffee and now pet foods.

Another clear trend is for consumer goods companies to use M&A to alter exposures to market segments, with consumer buying habits increasingly affecting chosen targets. The USD1.02bn acquisition of Spain's Pepe Jeans by a consortium led by the Lebanese group M1 is an effort to add more mainstream segments to a portfolio of luxury brands. By contrast, the fire sale of BHS in the UK to a little-known group of investors is an example of a household name that has struggled to cope as consumers trade down to more fashionable competitors, like Primark and H&M.

Strategic combinations in the consumer sector have been prevalent over the last 18 months as companies exposed to declining segments or reduced margins have looked for ways to unlock earnings.

We have also seen some interesting intra-country consolidation, most notably in China. Harbin Churin Group Jointstock's planned private placement and then acquisition of the gold jewellery processor, Shenzhen Jinjulai Gold Jewelry, is a prime example of a sprawling Chinese consumer company continuing to look to capitalise on the fast-growing middle class in China.

Attitudes to consumer confidence also remain a key driver for consumer sector M&A. With inflation and interest rates remaining very low, consumers certainly have more disposable income. But, for dealmakers, it's always a case of judging where that extra pound or buck gets spent.

In the UK a number of PE funds looking to make exits, either through sale or IPO, have clearly decided this money will be spent on leisure rather than retail and that's

driving recent planned disposals. They include Blackstone's proposed exit from Centre Parcs, the exit by Apollo and others from Gala Coral and Alchemy's intended flotation of the Revolution Bars Group.

Politics plays a part too. Elections and political uncertainty appear temporarily to have dampened activity in Africa, although we expect that to revive strongly towards the end of Q2, driven by strong GDP growth. The forthcoming UK election may dampen Q2 activity, but we expect the second half of 2015 to see a pick-up in volume of deals.

FINANCIAL SERVICES

The new norm

Transaction values in the financial services sector appear to be settling at a new norm with a noticeable absence of big ticket deals, particularly in banking. This reflects the ongoing process of retrenchment in the industry since the financial crisis as institutions continue to look to offload bad or risky assets, often driven by regulatory, political and social pressure.

This is a process that will continue for some time but the big question is how much of it will involve M&A transactions. With a dearth of buyers for distressed assets at the moment, the likelihood is that banks will seek to exit business lines by simply closing operations, particularly in troubled markets like Russia or Greece.

There will eventually be a tipping point where some of these assets once again begin to attract buyers and we expect to see increasing interest in them from PE and hedge funds. With many of Europe's biggest banks still debating what future shape their investment and retail banking operations should take, the process of reorganisation has a long way to run.

Some banks are finding opportunities through transactions, however. Banco Sabadell's proposed GBP1.7bn takeover of TSB, formerly part of Lloyds, is one of the first European cross-border banking deals since the financial crisis – a clear vote of confidence by the Spanish bank in the UK financial industry.

Citi, for example, continues to slim down its operations, as we saw with the USD4.25bn disposal of OneMain Financial consumer finance business to Springleaf Holdings. Royal Bank of Canada, in common with other Canadian institutions that came through the financial crisis relatively unscathed, continues to expand. During the quarter it acquired City National, a U.S. wealth management business, for USD5.4bn.

One significant trend in Q1 is the growing activity by and between Chinese and Hong Kong institutions and, in particular, the fresh impetus behind the China outbound story in this area. This so-called "reverse deal flow" (with institutions from high growth markets buying assets in mature markets) has recently picked up fairly dramatically.

Previous initiatives were led by the likes of Fosun's acquisition of Portugal's listed healthcare service provider ESS in October 2014, notable also for the fact that the vehicle used was Fidelidade, itself acquired by Fosun in January 2014 when it bought control over Caixa Segurous for some EUR1bn. Also noteworthy is the fact that this was a competitive bidding process – hitherto not generally known as a route favoured by, or favouring, PRC purchasers, although Fosun has bucked the trend here.

Banco Sabadell's proposed GBP1.7bn takeover of TSB, formerly part of Lloyds, is one of the first European cross-border banking deals since the financial crisis – a clear vote of confidence by the Spanish bank in the UK financial industry.

More recently Chinese insurer Anbang has exploded onto the scene in a frenzied acquisition spree. The last six months have seen it acquire diverse assets, including the fabled Waldorf Astoria hotel in New York, Tong Yang Life Insurance in Korea, Belgium's Delta Lloyd Bank and insurer Fidea, and Dutch insurer Vivat, not to mention building up a stake of around 20% in China Minsheng Bank in the PRC.

It is the pace and diversity, if not the value of these deals, that demands attention. A wall of accumulated PRC domestic money looking for a home; the need for geographic diversification and asset/liability matching; the continued sell-offs in certain mature markets; and the encouragement from the government in Beijing to "go out", are all working together to unleash these powerful forces.

More widely, the insurance sector stands in strong contrast to banking. Increased competition is putting pressure on premiums and forcing groups to consolidate. Deals are also being spurred on by the industry's increasing moves to respond to the new Solvency II capital requirements.

The quarter saw some significant strategic moves, not least the USD11bn re-insurance merger between PartnerRe and Axis. Listed groups are proving an attractive target to larger rivals as well. Two UK deals, especially, stand out in the quarter – Fairfax Financial's GBP1.2bn acquisition of Brit and the GBP2.9bn acquisition of Caitlin Group by New York-listed XL Group.

INFRASTRUCTURE, UTILITIES AND ENERGY

Rail and power networks dominate

While the infrastructure sector continues to wrestle with the now familiar supply and demand issue – with too few assets around to satisfy the growing appetite for investment – Q1 saw the completion of a number of significant deals that had been in the pipeline since 2014 and which have subsequently achieved strong multiples. There is, however, a question mark over whether this level of activity will continue into the second quarter.

Rail was a particularly active market in the UK. One of the three major rolling stock operators, Eversholt Rail, was sold by 3i Infrastructure and its partners for GBP2.5bn to CKI, part of Hong Kong tycoon Li Ka-shing's property, infrastructure, power and telecoms empire. This follows on from the sale of Porterbrook last October to a consortium made up of Hastings, AIMCo and Allianz Capital Partners. Now the third rolling stock operator, Angel Trains, is said to be on the market, marking a significant change of ownership for a part of the industry that has been one of the biggest magnets for private investment since rail privatisation in 1993.

Q1 also saw the UK government offload its 40% stake in Eurostar, the cross-Channel train operator, to Hermes Infrastructure and Québec's Caisse de dépôt et placement du Québec for GBP757m. Freightliner, a UK rail freight operator with interests in the Netherlands, Poland and Australia, was also sold by Arcapita of Bahrain to Genesee & Wyoming of the U.S.

Longer term, UK rail will remain busy, not least with London's Crossrail developments and the proposed high-speed development, HS2, although the latter continues to attract controversy.

Elsewhere in the transport sector, Terra Firma has put the Tank & Rast network of over 700 German motorway service and petrol stations up for sale in a transaction that could be worth some EUR2bn.

The once active UK water sector – popular for offering infrastructure investors the sort of stable long-term returns they demand – has been quiet for the last year during its five-yearly regulatory price review. With that over, and with new corporate governance standards in place, it is possible that activity could pick up here once again. The Thames Tideway Tunnel development, meanwhile, is testing new ways to fund and manage major infrastructure projects.

Across Europe the energy utilities sector has been busy. Notably, Fortum completed the sale of its Nordic electricity assets. Following disposals in Denmark and Norway over the last 14 months, it sold its Swedish distribution assets to a consortium led by Ontario's Borealis in a EUR6.6bn deal during the quarter.

Separately, the Swedegas distribution network was sold by PE house, EQT, to two strategic buyers, Enagas and Fluxys. E.ON continued its exit from some of its southern European assets, selling its Spanish energy business to a Macquarie-led consortium for EUR2.5bn and its gas and coal-fired generation units in Italy to the Czech group, EPH. Madrid's gas distribution network is also up for sale.

Expectations of a major Australian infrastructure privatisation programme suffered a setback, however, following elections in the state of Queensland that went against the sitting government. Planned energy and

"Rail was a particularly *active market*."

port privatisations, that had gathered widespread international interest from investors, are now off the agenda. However, we could still see sell-offs in New South Wales, starting with electricity networks, depending on the outcome of upcoming elections there.

In oil and gas, we are seeing a downturn in medium and smaller-sized M&A deals due to lower oil prices. But we do expect prices to rise again and this should result in more deals in the second half of the year as companies, prepared to take a long-term view, begin buying distressed assets.

LIFE SCIENCES

Transactions powerhouse

The life sciences sector continues to be a powerhouse for M&A transactions, with the biotech and generics markets proving particularly active.

While Q1 deal volumes fell slightly short of the same quarter last year, values were well ahead. Activity looks set to continue in the next three months, although we believe it will struggle to meet the exceptional levels seen in Q2 last year, when the market was spurred on by a raft of tax inversion deals, on top of "precision M&A".

Evidence of the buoyant biotech market was seen in the highly competitive bidding war for control of Pharmacyclics, Q1's largest deal. It was eventually won by AbbVie with a USD21bn offer, pitched at a 60% premium to see off rival bidders, J&J (initially the front runner) and Pfizer. Other big biotech deals in the quarter included Shire's acquisition of NPS Pharmaceuticals and Mallinckrodt's purchase of Ikaria, valued at USD5.5bn and USD2.3bn, respectively.

Big pharmaceutical companies continue to reinvent themselves to find the optimum structure to deliver value to investors. If last year was the year of precision M&A – acquisitions of targeted products and portfolio to build scale in particular therapeutic areas – the coming months look likely to see the majors focus on consolidating clearly defined and powerful divisions, with a view to future spin-offs.

There are already strong indications of this. GSK has said it may consider an IPO for its HIV business, ViiV Healthcare, which is almost 80%-owned by GSK in a joint venture with Pfizer and Shionogi. Pfizer's Q1 acquisition of generics drug maker Hospira for USD15bn is widely seen as an effort to build up a powerful biosimilars business, which may also be a candidate for spin-off within the next two years. Highly tactical and strategic M&A has been a distinct feature of the sector in recent times – "Division M&A" could, perhaps, be its new face.

Separately, the generics market is coming under growing scrutiny as generic price rises narrow the gap with the price of innovative medicines. In the U.S., a Senate investigation into the issue was launched last year and it has been suggested that high levels of M&A have worked to narrow competition in the sector. Equally the rising cost of generics may be due to the increasing costs of manufacturing and the quality issues that have plagued the sector, resulting in supply shortages.

Valeant's USD11bn high-yield bond-funded acquisition of gastrointestinal drug maker, Salix, was also a competitive deal, attracting interest from Endo as well. This was Valeant's first foray after its failed tilt last year, egged on by activist shareholders, at Allergan. Actavis also turned to the bond market to fund the White Knight bid for Allergan that forced Valeant into retreat.

The U.S. remains the undoubted hotbed for life sciences deals, but interestingly China was the next most active market in the quarter. Of the nine deals done there, all were domestic. This follows the pattern of domestic consolidation we're seeing in a number of Chinese industries at the moment as companies attempt to beef up their presence at home and prepare themselves for the world stage. Inbound life sciences investors still see China as a vital target, given the size of the market and the growth of China's middle class, but they appear to remain nervous, not least since recent corporate prosecutions.

Big pharmaceutical companies continue to reinvent themselves to find the optimum structure to deliver value to investors.

In a continuation of a theme we saw last year, medical technology companies remain hot targets. Q1 saw Nikon's agreement to buy British retinal imaging firm Optos – a first move into the medical sector for the 98-year-old Japanese company best known for its cameras. Cyberonics also acquired Sorin Spa, while Boston Scientific agreed to purchase American Medical Systems' urology portfolio.

"When good assets do come to market, *competition* among PE houses for them is intense."

PRIVATE EQUITY

A good time to sell

In common with many parts of the M&A market, Q1 was a much quieter quarter for transactions by PE houses with deal values at far lower levels than this time last year.

The figures would have been worse but for an end-of-quarter mega-deal – the USD40bn takeover of Kraft Foods by Heinz.

But in reality the stats do not do justice to the level of behind-the-scenes PE activity going on at the moment. Funds have plenty of cash to spend and debt financing is also readily available. Deals are being actively scouted out but what is missing is a sufficient supply of good assets at the right price.

As has been the case for some time, PE funds are finding themselves squeezed out of auctions and other sale processes by strategic buyers willing to both put their big cash surpluses to work and pay hefty premiums to secure valuable synergies for their businesses. In most cases, PE funds simply aren't prepared to match those inflated prices.

In the UK there has been a distinct drought of good assets being put up for sale by corporates. When good assets do come to market, competition among PE houses for them is intense.

We're seeing this with Tesco's proposed sale of part of its data and loyalty card business, Dunnhumby – a deal being pursued to tackle the retailer's balance sheet crisis – which could raise up to GBP2bn. A large number of PE funds have expressed interest in the business.

We are seeing a few good-sized buyouts, including Centerbridge's EUR1bn acquisition of Senvion, the German subsidiary of wind turbine maker Suzlon, and the purchase by U.S. fund Bain Capital of the UK's TI Automotive for a reported USD2.4bn, including debt.

But with a relative dearth of total and secondary buyouts going on in Europe and the U.S., the focus for PE funds continues to be on exits – and in a number of cases they are making sizeable returns on assets bought in recent years.

While IPOs were a favoured exit route last year, we are now seeing a lot more dual-track processes, particularly in the UK. That's not especially surprising – funds would obviously prefer to have the valuation certainty that comes with a trade exit, rather than be exposed to the sort of stock market volatility that comes with an IPO process. Hellman & Friedman's sale of the energy analysis firm, Wood Mackenzie, to Verisk Analytics of the U.S. for GBP1.85bn is a good example of an asset initially destined for IPO being subsequently sold to a corporate.

We expect this pattern to continue for some time, with funds focusing on exits primarily but also actively scouring the market for attractive assets at good prices (in no particular hurry to overpay for them). They can afford to bide their time. Economic conditions remain favourable, although we could see some political impact in the UK if May's general election results in, as looks possible, a hung parliament.

TELECOMS, MEDIA AND TECHNOLOGY

Continuing stream of deals

There is still considerable M&A fire in the TMT sector with a continuing stream of deals likely as the year progresses.

The telecoms sector remains a main centre of attention, with much of the most interesting activity focused on the UK market. The groundbreaking GBP12.5bn merger of BT, the UK's biggest fixed line operator, and EE, the UK's biggest mobile company, is progressing, although the Competition and Markets Authority (CMA) has now called for interested parties to make representations on the deal. Remedies are likely to be sought, with competitors expected to push for Openreach to be spun out from BT.

Hutchison and Telefonica have announced the GBP10.25bn acquisition of O2, which is also expected to attract significant regulatory scrutiny, most likely coming from Brussels rather than the CMA. A number of smaller deals should also result from these mergers, with both mandatory and synergy-driven divestments allowing other players to adjust their focus.

A complicating factor is the recent launch by regulator OFCOM of a review of competition and investment in the rapidly converging content and digital delivery markets. OFCOM's review could question some of the bases of the merger clearances that have been given, and accompanying remedies, to date, including both mobile-to-mobile consolidations and fixed-mobile convergence.

Consolidation and convergence are not specific to the UK. We expect this trend to continue throughout Europe, and into other markets. In many emerging markets, there has been a surplus of mobile licensees for far too long and these need to be consolidated, although convergence between fixed and mobile is less likely where there are poor fixed networks.

In technology, the semiconductor market is a hive of activity, crowned by the USD40bn merger between NXP and Freescale – read by many as a clear sign that further consolidation is on the cards. Chipmakers face two significant pressures – the need to innovate continuously and to fight tough pricing pressures. By consolidating they may have more negotiating muscle with both suppliers and customers.

Six other chipmakers were acquisition targets (taken over or sold stakes) in Q1 – including Semiconductor Manufacturing International, Shenzhen BYD Electronic Components, Toppan CFI (Taiwan), SAMT, Entropic Communications and Silicon Image – but the NXP deal is by far the largest to date. It will cement the two groups' grip on the expanding automotive market where PWC estimated recently that 90% of innovations in new cars are focused on electronics.

In media, we think multichannel networks are ripe for further activity. There were a raft of transactions, as well as collaborations and investments, carried out in 2014, with a standout transaction being the Disney acquisition of Maker Studios. Here the motivation is to find new ways to monetise the delivery of content while meeting the demands for "digital first" services like short form video, particularly from younger users.

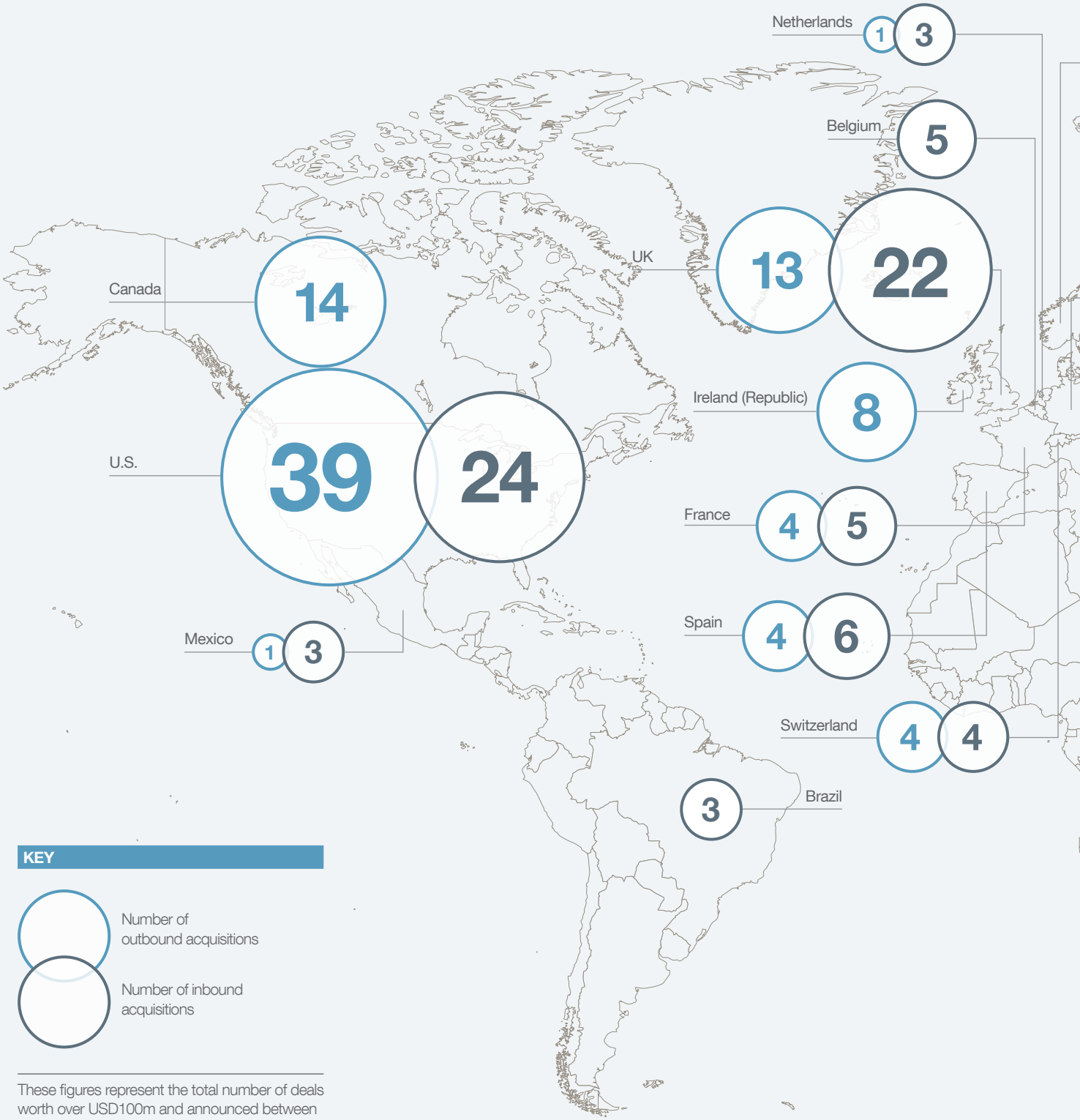
"Connected Health" remains a vibrant area of the market with huge levels of investment underpinning it. Rock Health, the digital health seed fund, reports that 2014 was a record year for funding in 2014 with over USD4bn invested (more than doubling funding in 2013) and that in Q1 2015, VCs invested over USD630m, 15% more than the average of the past 16 quarters. (Rock Health data covers disclosed U.S. deals over USD2m only). In M&A, MyFitnessPal, a health and nutrition tracking app with an estimated 80 million registered users, has been bought for USD475m by sports clothing maker Under Armour – with a clear eye on the huge trove of data underlying the app and the expanding "wearables" market. With competition growing around health and wellbeing, and involving some of the biggest sport and technology brands, user experience, interoperability and a reputation for data security will be hugely important in deciding the winners and losers in this sphere.

TE Connectivity's USD3bn sale of its broadband-networks business to CommScope is billed as being all about giving TE space to focus on the so-called "internet of things" through its sensor technology business, which expanded significantly with its 2014 USD1.4bn acquisition of Measurement Specialties.

> "In technology, the semiconductor market is a *hive* of activity."

A global snapshot

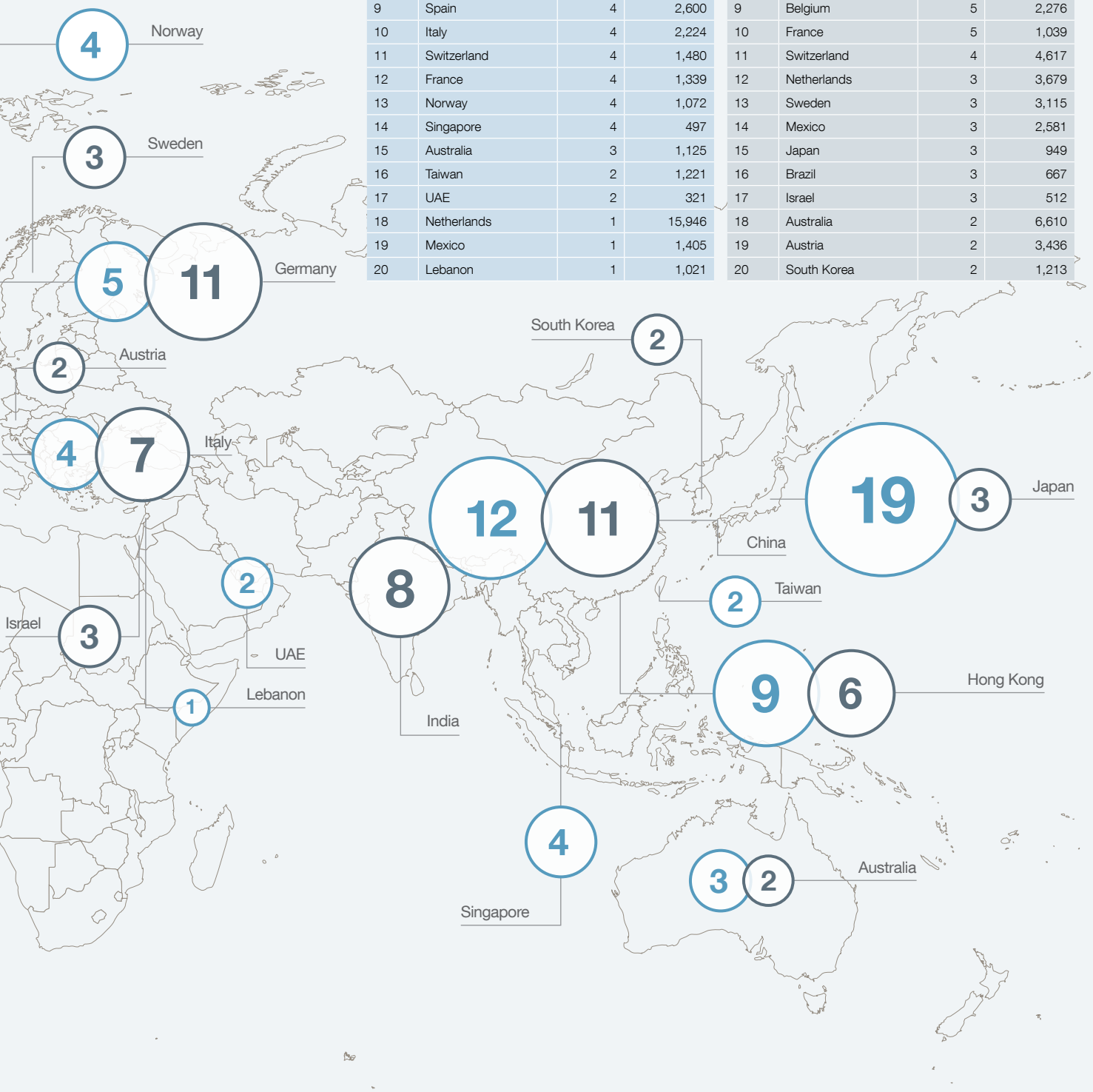
Top 20 global outbound acquirers and inbound target markets



These figures represent the total number of deals worth over USD100m and announced between 1 January 2015 and 9 March 2015 inclusive.

Volume of outbound acquisitions			
Rank	Country	Volume of deals	Value of deals USDm
1	U.S.	39	34,579
2	Japan	19	30,116
3	Canada	14	27,213
4	UK	13	7,177
5	China	12	5,391
6	Hong Kong	9	6,793
7	Ireland (Republic)	8	19,746
8	Germany	5	4,262
9	Spain	4	2,600
10	Italy	4	2,224
11	Switzerland	4	1,480
12	France	4	1,339
13	Norway	4	1,072
14	Singapore	4	497
15	Australia	3	1,125
16	Taiwan	2	1,221
17	UAE	2	321
18	Netherlands	1	15,946
19	Mexico	1	1,405
20	Lebanon	1	1,021

Volume of inbound acquisitions			
Rank	Country	Volume of deals	Value of deals USDm
1	U.S.	24	50,934
2	UK	22	29,608
3	Germany	11	6,587
4	China	11	3,801
5	India	8	4,758
6	Italy	7	5,967
7	Hong Kong	6	11,888
8	Spain	6	5,268
9	Belgium	5	2,276
10	France	5	1,039
11	Switzerland	4	4,617
12	Netherlands	3	3,679
13	Sweden	3	3,115
14	Mexico	3	2,581
15	Japan	3	949
16	Brazil	3	667
17	Israel	3	512
18	Australia	2	6,610
19	Austria	2	3,436
20	South Korea	2	1,213



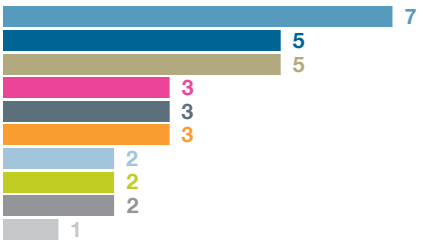
A global snapshot

Top target markets for the world's largest acquiring countries

U.S. – the world's largest acquiring country

Value of deals (USDm)

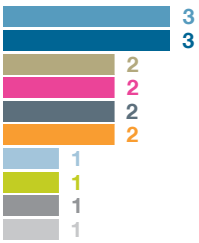
UK	10,376	Japan	949
India	3,900	Canada	1,188
Germany	2,391	Brazil	454
Spain	2,702	Israel	312
Italy	2,294	Switzerland	3,000



Japan

Value of deals (USDm)

Hong Kong	10,470	UK	576
Germany	2,657	Sweden	2,757
Australia	6,610	Italy	1,854
U.S.	2,360	Singapore	1,200
China	958	Brazil	213



Canada

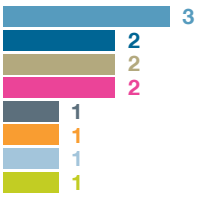
Value of deals (USDm)

U.S.	21,453
UK	5,760

UK

Value of deals (USDm)

U.S.	1,105	Austria	341
Netherlands	3,508	Kenya	156
France	658	Belgium	126
Switzerland	429		
Germany	854		



*These figures represent the total number of deals worth over USD100m and announced between 1 January 2015 and 9 March 2015 inclusive.

China

Value of deals (USDm)

Hong Kong	1,418	South Africa	225
Switzerland	1,188	UK	183
South Korea	1,032	Netherlands	171
India	575	Germany	108
Turkey	385	U.S.	106

Hong Kong

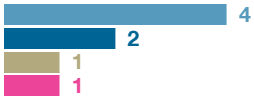
Value of deals (USDm)

China	2,300
UK	3,781
U.S.	550
Philippines	162

Ireland (Republic)

Value of deals (USDm)

U.S.	7,645
UK	7,817
Bermuda	3,928
Belgium	356



Germany

Value of deals (USDm)

Austria	3,095
U.S.	727
Kuwait	170
Chile	160
Sweden	110

Spain

Value of deals (USDm)

UK	591
Portugal	1,234
Italy	775

Italy

Value of deals (USDm)

Czech Republic	1,440
Germany	577
Mexico	105
France	102

About the research

The underlying data for this research comes from The Mergermarket Group.

– This report only includes deals worth USD100m and over.

– The data contained in the Q1 2015 results spans 1 January 2015 to 9 March 2015 inclusive.

Allen & Overy ranked 1st for cross-border M&A globally, by volume of deals

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