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EuroDev
European M&A Advisory

EUR DEV



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GLOBAL OVERVIEW

Cheap financing, pressure on companies to consolidate, and competition from sponsors drove the value of global M&A transactions in 2018. At the same time, deal count fell, after the record high reached in 2017.

Globally, there were 19,200 deals with a combined value of \$3.5 trillion in 2018, which is 740 fewer deals, but a 11.5% increase in value compared to 2017. In terms of deal value, North America led the way among global regions, while Europe had the highest number of deals. Furthermore, Energy, Mining & Utilities took the lead among other sectors, with four of the top ten deals of the 2018.

PE buyout activity reached a new post-crisis peak with 3,600 buyouts valued globally, an increase of 70 deals and a 3.5% uptick in value compared to 2017. The largest PE deal of 2018 was the \$17 billion acquisition of a 55% stake in Thomson Reuters' financial and risk business by a consortium made up of Blackstone Group, GIC Private Limited, and the Canada Pension Plan Investment Board. Furthermore, exits by PE firms hit a post-crisis high in terms of transaction value at \$550 billion, a 0.5% increase over the total in 2017, while the number of exits fell by 140 deals to a total of 2,400.

The level of global cross-border deals fluctuated throughout last year, but the value total increased 5% to \$1.5 trillion by year's end. This amount included the top deal of the Japanese pharmaceutical company Takeda's \$79 billion takeover of Ireland-based drug-maker Shire.

GLOBAL M&A ACTIVITY 2018

\$3.5 trillion

worldwide M&A activity during 2018

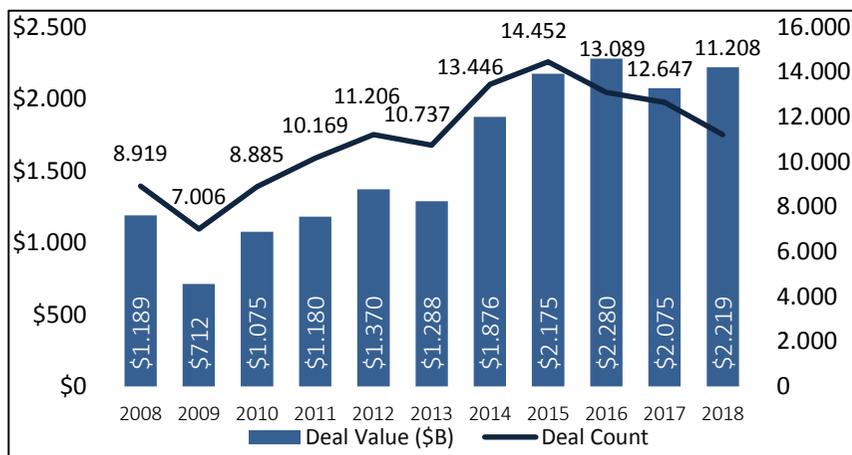
11.5%
in deal value
vs.
2017

-3%
in deal volume
vs.
2017

NORTH AMERICAN M&A ACTIVITY

Activity in North America drove much of the combined results, with four of the six deals above \$50 billion targeting US-based companies. 2018 was the fourth consecutive year in which the region’s overall M&A value exceeded \$2 trillion, a YoY 20% increase. Fuelled by tax savings and low interest rates, US corporations exhibited appetite for acquisitions during the year, yet multiples remained elevated by historical standards.

NORTH AMERICA M&A ACTIVITY



Source: Pitchbook

Consolidation and vertical integration for insurance and pharmacy benefit managers drove some of the largest deals in 2018. One example is United Technologies which announced it will split into three companies, aerospace, elevator, and air-conditioning, as well as the sell off its Chubb Fire & Security business. These transactions came months after the company completed its \$23 billion acquisition of Rockwell Collins, a producer of communications and aviation systems.

NORTH AMERICAN PE ACTIVITY

2018 was another strong year for PE buyout activity sustained by the economic environment, and record levels of dry powder to deploy.

Over 5,000 buyouts were closed representing 11% growth over 2017, for the first time in history. This increase is partially explained by PE firms utilizing the buy-and-build strategy with over 50% of deals being smaller sized add-on transactions.

Deal value is expected to exceed \$800 billion for only the second time in history after 2007, an increase of 32% compared to 2017. This growth is a direct result of intense competition and multiples being inflated as PE firms increasingly target faster-growing companies.

HIGHLIGHTS NORTH AMERICAN PE ACTIVITY

Deal Value 2018
\$ 803 billion ↑ 32.1% vs 2017

Deal Volume 2018
5,000 deals ↑ 11% vs 2017

Add-on activity hits a record

66% of PE buyout activity represents add-ons, continuing a long term trend towards leveraging platforms
 vs. 2010: 56%

Valuation

11.5% Median EBITDA multiple remains elevated.

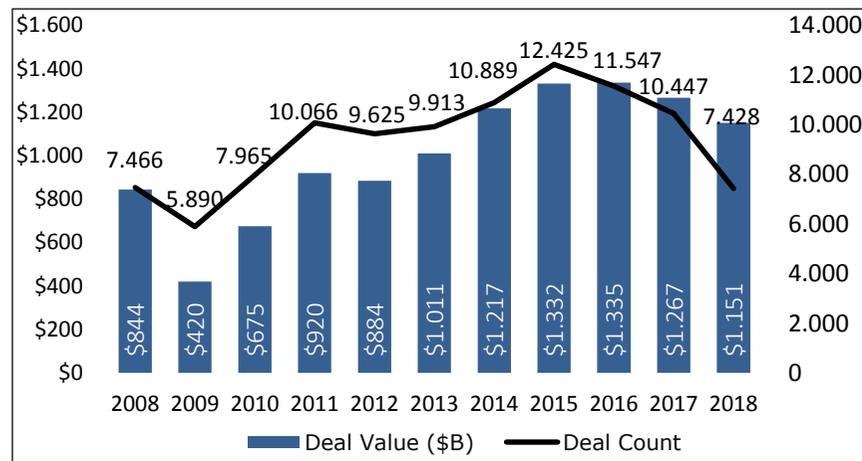
EUROPEAN M&A ACTIVITY

European M&A completed more than \$1.0 trillion in total deal value. However, deal value appears to have peaked, after cresting \$1.3 trillion in 2015 and 2016. GDP growth in the EU has not been stable for over a decade and many companies are turning to M&A to expand within, and outside, the continent. Low interest rates have persisted—allowing for cheap acquisition financing—even as rates have begun rising in North America.

Furthermore, large multinationals have used the uncertainty caused by Brexit, and the ensuing depreciation of the GBP and UK-based companies as an opportunity to find relatively affordable acquisitions.

As interest rates remain just above zero and GDP growth in Europe continues with instability, many companies will continue turning to M&A to boost top-line growth which ought to buoy M&A activity in the years ahead.

EUROPEAN M&A ACTIVITY



Source: Pitchbook

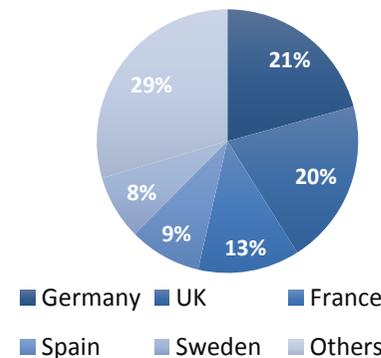
EUROPEAN PE ACTIVITY

Over the year 2018, the European PE markets have been healthy with an increase in deal value of 40% from 2017, reaching \$ 387 billion in total. However, the number of deal decreased 19% in the same period, totalling 1,780 deals closed.

Sponsor-to-sponsor deals provided a rich vein of opportunity in 2018. That was especially true in Europe, where deals between PE funds dominated in terms of both value and deal count, as they have since 2010

On the exit side in the European market, total exit count and value is likely to behind previous years as there is a drop in exit activity. Perhaps this is because private equity firms are putting an effort in elsewhere as fundraising which has already hit the third-highest annual level in the past decade. Fundraising so far has totalled €55.8 billion across 55 funds.

TOP TARGETED COUNTRIES BY VOLUME



TOP TARGETED COUNTRIES BY VALUE

Target country	2018 (mil EUR)
1. UK	352,790
2. Germany	275,610
3. Spain	145,338
4. France	109,800
5. Netherlands	105,579

CROSS-BORDER M&A DEALS

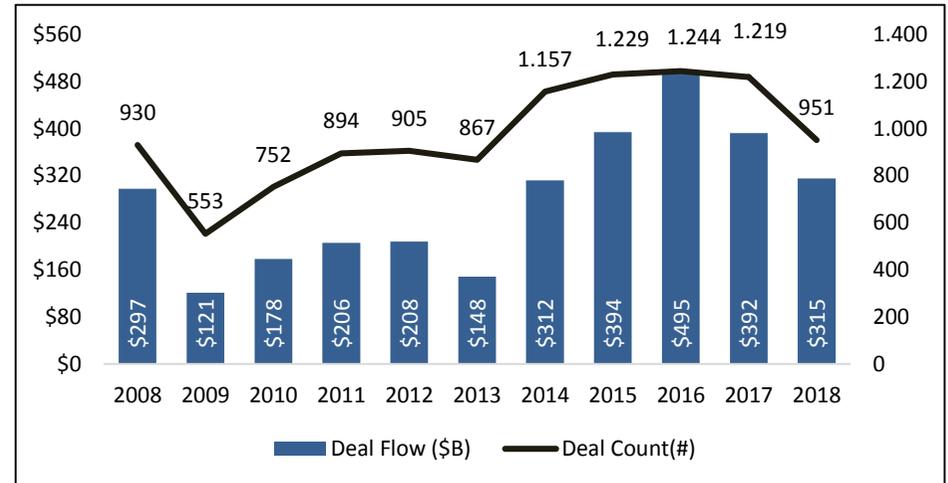
Cross-border M&A activity fell in both regions in 2018, though deals were more abundant in Europe. Overall, North America and Europe saw 2,200 deals involving acquirers outside their respective regions worth \$655 billion—an 18% decline YoY in both count and value.

Assets in Europe cheapened throughout the year and the US dollar—as well as many other global currencies—gained on the Euro and Pound. To this end, we saw foreign companies being keen to acquire corporate assets at a discount as well as US-based PEs intensified their purchases of European businesses after years of strong fundraising.

One example of an American company scooping up a discounted European-based firm was the acquisition of Fox’s entertainment assets by Disney (NYSE:DIS) for \$ 70 billion. Another example was Vantiv’s (NYSE: WP) \$ 12 billion (£9.3 billion) acquisition of WorldPay.

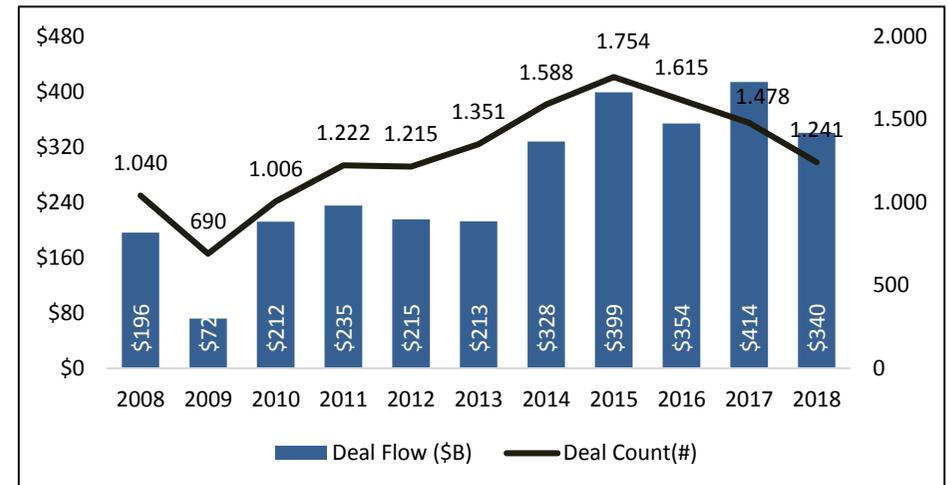
The outlook for the cross-border M&As between US and Europe depends on the future of Brexit. A hard Brexit could lead to some very displeased German automotive manufacturers and French vintners because of their trade surplus with the UK. This situation also have impact on the European GDP growth. This negative outlook is likely to make European companies less likely to spend on acquisitions on North American companies. However, a recession and a decrease in asset prices may spark family offices, PE firms, and corporations in US to snatch up attractively priced companies.

NORTH AMERICAN CROSS-BORDER M&A ACTIVITY



Source: Pitchbook

EUROPEAN CROSS-BORDER M&A ACTIVITY



Source: Pitchbook

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