Baker & McKenzie

MERGERMARKET

CROSS BORDER M&A INDEX

Q4 2015

CONTENTS

About Mergermarket

Mergermarket is an independent mergers and acquisitions (M&A) intelligence service, with an unrivalled network of dedicated M&A journalists based in 62 locations across the Americas, Europe, Asia Pacific, the Middle East and Africa. Unlike any other service of its kind, Mergermarket specialises in providing forward-looking origination and deal flow opportunities, integrated with a comprehensive deals database – resulting in real revenues for clients.

Visit mergermarket.com.

1 CROSS-BORDER M&A INDEX

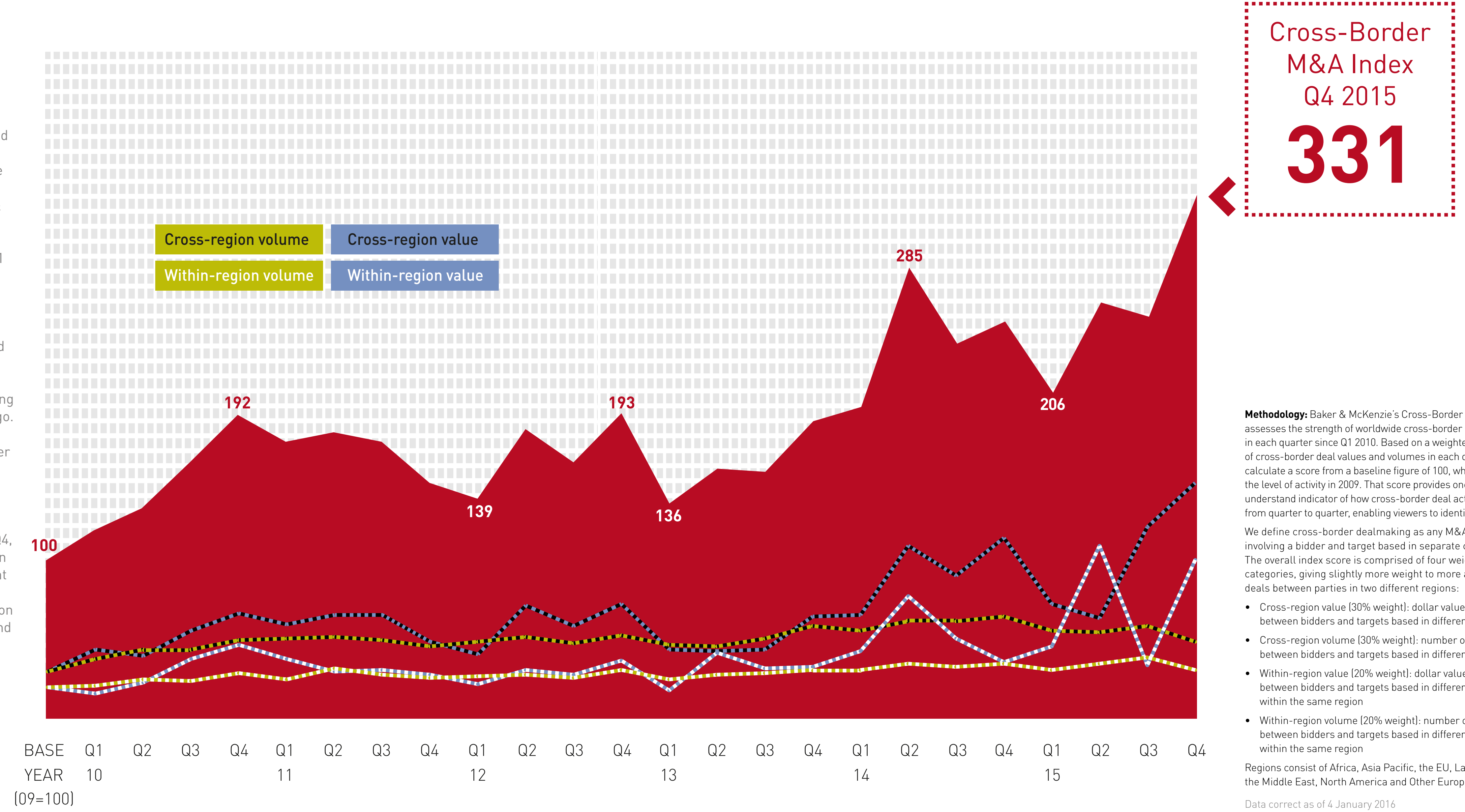
Megadeals push Cross-Border M&A Index to record high

Cross-border deal values in the fourth quarter of 2015 rose to the highest level ever recorded in a single quarter, fueled by megadeals such as Pfizer's purchase of Botox maker Allergan for US$183.7bn and Anheuser-Busch InBev's US$120.3bn merger with SABMiller. These deals, if they clear regulatory hurdles, will not only turn Pfizer into the world's largest drug maker by sales and create a combined company that controls one-third of the global beer market, but pushed Baker & McKenzie's Cross-Border M&A Index to a record high of 331.

The Index, which tracks levels of cross-border M&A activity back to Q1 2010 using a baseline score of 100, was boosted by US$390.1bn in Q4 2015, in deals involving buyers and targets based in different regions, up 31% over cross-regional deal values in Q4 2014. The largest such deal was US-based Pfizer's merger with Ireland-based Allergan, a transaction that represented 31% of all cross-border activity in Q4 and is the largest healthcare deal ever.

The value of cross-border deals within regions also rose in Q4, reaching a total of US$207.3bn — more than double the same quarter a year ago. The largest such deal was Belgium-based Anheuser-Busch InBev's acquisition of UK-based SABMiller, a merger that could lead to another round of transactions as ABI tries to satisfy European competition regulators by selling off SABMiller's stake in MillerCoors, as well as the Peroni and Grolsch brands.

Despite total deal values reaching a record-breaking US$597.4bn in Q4, the number of cross-border transactions fell 20% to 1,224 deals, down from 1,537 in Q4 2014. This drop in the number of deals was consistent across regions and sectors, suggesting that despite the boldness of buyers at the top of the market, other firms are exercising more caution amid continued instability in Europe, economic slowdowns in China and Brazil, and lower commodity prices.



Methodology: Baker & McKenzie's Cross-Border M&A Index assesses the strength of worldwide cross-border M&A activity in each quarter since Q1 2010. Based on a weighted average of cross-border deal values and volumes in each quarter, we calculate a score from a baseline figure of 100, which represents the level of activity in 2009. That score provides one easy-to-understand indicator of how cross-border deal activity changes from quarter to quarter, enabling viewers to identify patterns.

We define cross-border dealmaking as any M&A activity involving a bidder and target based in separate countries. The overall index score is comprised of four weighted sub-categories, giving slightly more weight to more ambitious deals between parties in two different regions:

- Cross-region value (30% weight): dollar value of deals between bidders and targets based in different regions
- Cross-region volume (30% weight): number of deals between bidders and targets based in different regions
- Within-region value (20% weight): dollar value of deals between bidders and targets based in different countries within the same region
- Within-region volume (20% weight): number of deals between bidders and targets based in different countries within the same region

Regions consist of Africa, Asia Pacific, the EU, Latin America, the Middle East, North America and Other Europe.

Data correct as of 4 January 2016

2015 TOTAL CROSS-BORDER DEALS
5,441 deals
VOLUME
6% ON 2014

2015 TOTAL CROSS-BORDER DEALS
1,658.4bn
VALUE (US$)
17% ON 2014

CROSS-REGION
3,225 deals
VOLUME
11% ON 2014

CROSS-REGION
1,063.4bn
VALUE (US$)
7% ON 2014

WITHIN-REGION
2,216 deals
VOLUME
1% ON 2014

WITHIN-REGION
595bn
VALUE (US$)
40% ON 2014

2015 MOST ACTIVE SECTORS (CROSS-BORDER DEALS)

BY VOLUME
TMT
1,007 deals
(WORTH US$212.7bn)

BY VALUE
HEALTHCARE
US$379.6bn
(456 DEALS)

2 THE GLOBAL PICTURE

HEADLINES

1 Cross-border and cross-regional deal values in Q4 rose to the highest levels ever recorded in a single quarter, totaling US$597.4bn and US$390.1bn respectively

2 North America went on an EU buying spree, with 147 deals worth US$236.3bn, pushing totals for FY 2015 to 715 deals worth US$373.2bn

3 Across the world, cross-border M&A activity remained strong in 2015, comprising 39% of total transactions at US$1.66tn, a 17% increase in value over 2014

4 The value of cross-regional deals pursued by buyers from Africa, Asia Pacific, the Middle East and North America surpassed 2014, while those originating from the EU, Latin America and Other Europe dropped

In the fourth quarter of 2015, cross-regional M&A activity rose to 719 deals worth US$390.1bn, a 25% drop in deal volume but 31% increase in deal value over the same period last year. Transactions involving North America buyers targeting the EU accounted for 61% of that US$390.1bn, bolstered by US-based Pfizer's US$183.7bn acquisition of Ireland-based Allergan — the largest healthcare deal ever.

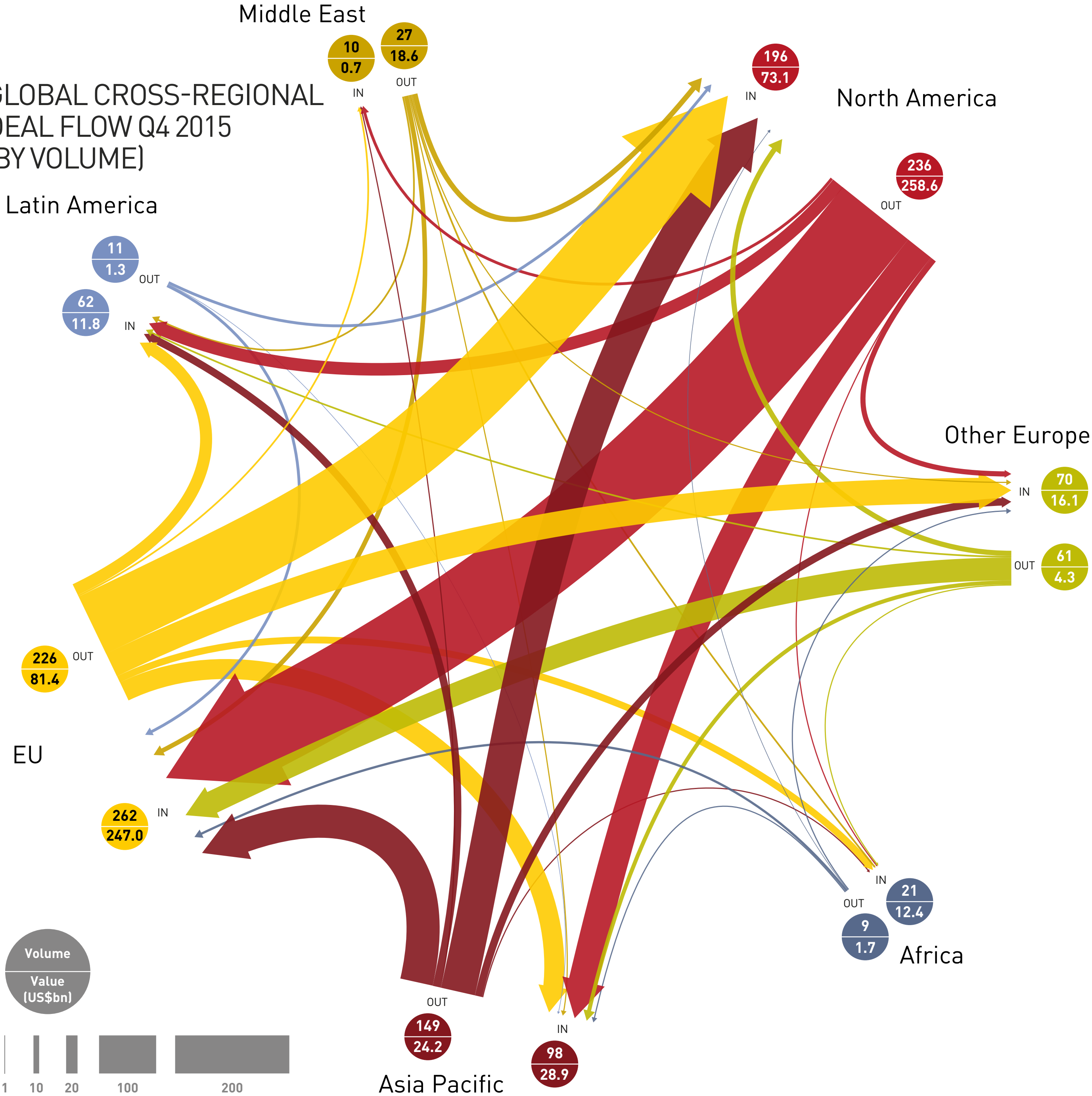
Driven by renewed confidence in North America and lower EU asset prices, North American buyers targeted the EU's healthcare (US$194.4bn), industrials (US$32.8bn) and financial services sectors (US$26.3bn). Examples of this trend include Visa Inc.'s acquisition of Visa Europe for US$18.2bn, and US-based Hellman & Friedman's acquisition of Swedish security firm Verisure for US$5.9bn — a transaction that pushed the number of EU buyouts by North American private equity firms to 150 deals worth US$47.3bn in FY 2015.

Across the world, cross-border M&A activity remained strong in 2015, comprising 39% of total transactions at US$1.66tn, a 17% increase in value over 2014. Buyers from North America, Asia Pacific, Africa and the Middle East were the most aggressive. Cross-regional deals involving North American buyers reached US$467.1bn, up 48% from 2014. Those originating from Asia Pacific rose 39% to US$186.7bn. Outbound deals from Africa increased 84% to US$9.1bn while those originating from the Middle East nearly tripled to US$76.4bn.

On the target side, the value of inbound acquisitions into the EU rose 52% in FY 2015, reaching US$487.8bn, driven by buying activity from North America and Asia Pacific. Inbound M&A into Africa jumped 73% to US$19bn and acquisitions targeting the Middle East grew 19% to US$9.7bn.

By contrast, the value of cross-regional activity targeting Latin America fell 55%, dampened by Brazil's economic slowdown. Inbound transactions into Russia and the rest of the CEE region dropped 62%, the result of falling energy prices and concern about the conflict in Ukraine.

GLOBAL CROSS-REGIONAL DEAL FLOW Q4 2015 (BY VOLUME)



3 SECTOR FOCUS: TECHNOLOGY, MEDIA & TELECOMS (TMT)

HEADLINES

1 Cross-border M&A in the TMT sector rose to 1,007 deals worth US$212.7bn in 2015, close to 2014's total of 1,071 deals worth US$225.5bn

2 Among the technology, media and telecoms sub-sectors, technology was most active, accounting for 70% of deal volume and 49% of deal value in 2015

3 US buyers were the most active tech acquirers in 2015, with 232 transactions worth US$25.1bn. The US was also the biggest target, with 155 deals worth US$48.7bn

4 China has become an increasingly active player in the tech sector, rising to become the third-largest acquirer in 2015 after the US and UK

The urge to converge
TMT was the most active sector for cross-border M&A in 2015, outstripping all others in deal volume and second only to healthcare in deal value — a reflection of the persistent need for companies to reinvent themselves to remain competitive in the global market.

This fierce competition has generated high demand for new technology, intellectual property and talent in the TMT sector, pushing year-end totals for cross-border transactions to 1,007 deals worth US$212.7bn, matching activity levels in 2014.

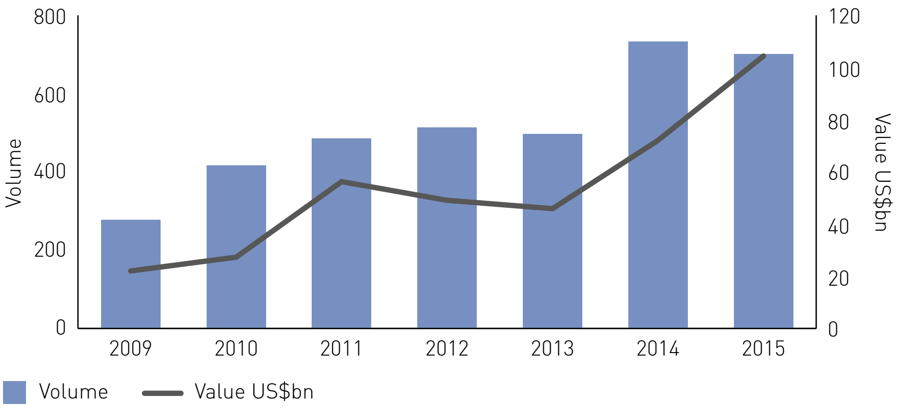
The quest for reinvention has ushered in a new era of convergence between industries creating hybrid sectors such as FinTech and Health Tech. The majority of these technology deals in 2015 were driven by buyers in the US, UK and China.

"Traditionally we have operated on the assumption that technology deals were being done by technology companies but that is no longer the case," says Howard Wu, Head of Baker & McKenzie's Asia Pacific Information Technology & Communications Group. "Increasingly many companies view themselves as technology or big data companies even though they are in other industries such as financial services or healthcare."

Innovations by tech start-ups are also pushing multinationals to broaden and diversify their product and service offerings to maintain their consumer bases, such as IBM's US$1bn acquisition of medical image provider Merge Healthcare in October.

"Multinationals are looking at where this new technology is coming from — the disrupters — and wanting to be part of that disruption themselves to maintain their market position," says Anne-Marie Allgrove, global chair of Baker & McKenzie's Information Technology & Communications Group.

TECHNOLOGY CROSS-BORDER M&A 2009 - 2015



Technology on top
Technology was the standout among the three TMT sub-sectors, accounting for half of all deal value and 70% of volume in 2015. The value of cross-border technology deals rose 45% from 2014, to US$104.4bn.

China has become an increasingly active player in the tech sector, rising to become the third-largest acquirer in 2015 after the US and UK, with 41 deals worth US$19.2bn. This trend is driven largely by the Chinese government's push for state-owned companies to pursue high-tech deals such as Tsinghau Unigroup's proposed US$23bn acquisition of Micron, one of the largest chipmakers in the US.

"Increasingly over the last few years Chinese companies have been tapped by the government to not simply acquire natural resources or more traditional businesses overseas," Wu says. "There's been a huge policy push for Chinese outbound investments and technology is an area that has room for growth."

A major driver of tech M&A is not only acquiring new technologies but the people who can develop and implement them. That makes creating the right incentives and environments to retain talent after the deal closes even more crucial during post-acquisition integration planning.

"A lot of big companies have created specialist teams to ensure the post-merger integration of acquired start-ups is as smooth as possible," Allgrove says. "They want to ensure that new entrants are assimilated rapidly and in a constructive way to enhance the likelihood they will remain and be successful within the organization."

EYE ON THE FUTURE

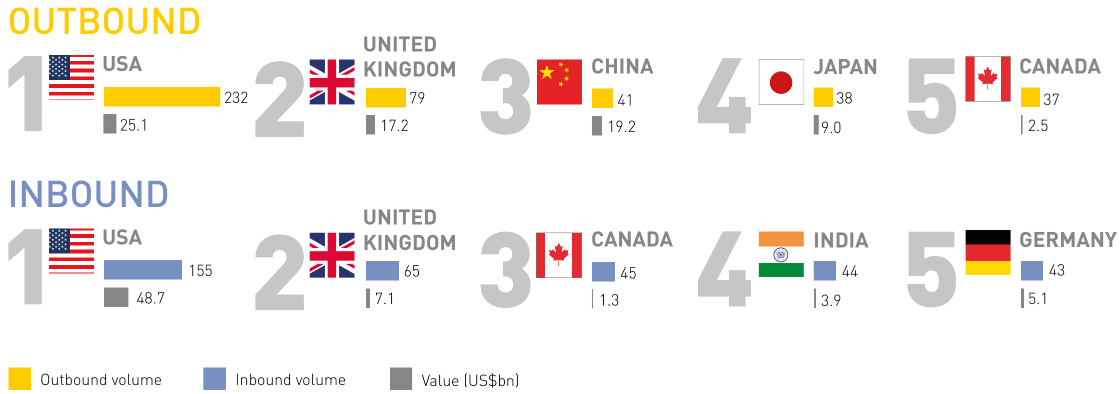
Three key trends to watch

Tech to traditional: Continuing the convergence trend, major technology players will look for even more ways to enter traditional sectors like financial services and healthcare. "In particular, we anticipate a lot more deals in the FinTech space," Allgrove says.

Virtual to reality: Online to offline businesses such as Airbnb and Uber will continue to attract attention from major players in the industry. "One key area for M&A growth could be in the peer-to-peer lending space," Wu says.

Focus on India: India emerged as the fourth-largest target country in the tech sector in 2015. Because of India's strong culture of innovation, growing educated middle class and the proliferation of IT outsourcing companies, this trend will likely continue into 2016.

TOP 5 TECH BIDDERS AND TARGETS IN 2015



4 REGIONAL FOCUS: ASIA PACIFIC M&A

HEADLINES

1 Outbound M&A from Asia Pacific countries hit 302 deals worth US$71.8bn in Q4, pushing transaction totals to a record high of 1,268 deals worth US$313.4bn in FY 2015

2 Half of those outbound deals targeted assets in countries outside Asia Pacific, with cross-regional transactions accounting for 60% of deal values in FY 2015

3 During 2015 Asia Pacific buyers targeted technology firms in North America (53 deals), industrials firms in the EU (48 deals) and consumer products companies in the EU (36 deals)

4 Inbound deals into Asia Pacific rose to US$76.5bn in Q4, totaling 1,085 deals worth US$210.1bn in FY 2015, matching values in 2014

Outbound M&A activity from Asia Pacific countries reached a record high in 2015, rising to 1,268 deals worth US$313.4bn. Backed by a period of solid economic growth within the region, available credit and governments pushing their companies to expand in certain sectors, Asia Pacific buyers targeted everything from banks and insurance firms to high-tech and consumer products companies.

For the past three years, the majority of outbound transactions by Asia Pacific buyers have focused on targets outside the region and 2015 was no different. Cross-regional deals accounted for 51% of outbound activity by volume and 60% by value, with motivations for these acquisitions often differing by country.

Japanese buyers, for example, are seeking new customer bases as they face a shrinking and aging population in their home market. In Southeast Asia, companies in stronger economies like Singapore and Malaysia must look abroad for expansion because of a lack of depth in their own markets. Meanwhile, China is making a big push into industries like consumer products and technology as the country's population continues to grow in education level and affluence.

"China no longer needs so much Western capital for the development of production," says David Fleming, head of Baker & McKenzie's Asia Pacific M&A Group. "But it does need technology and access to Western markets."

Within the region
Cross-border deal activity within Asia Pacific also remained strong, bolstered by pressure from the Japanese and Chinese governments, as well as those in Southeast Asia, for their domestic companies to establish a strong presence in the ASEAN Economic Community, particularly in the financial services sector.

"Intra-regional acquisitions of banks and insurance companies has been high because business leaders realize they have to build an ASEAN financial platform to compete within ASEAN when it reaches its full potential," says Mark Innis, a foreign legal consultant at Hadiputranto, Hadinoto & Partners, Baker & McKenzie's member firm in Indonesia.

Besides sector-specific opportunities in ASEAN, population growth is also driving Asia Pacific buyers to invest within the region. Japanese consumer products and financial services companies are particularly interested in acquiring younger, faster-growing consumer bases. Nippon Life's

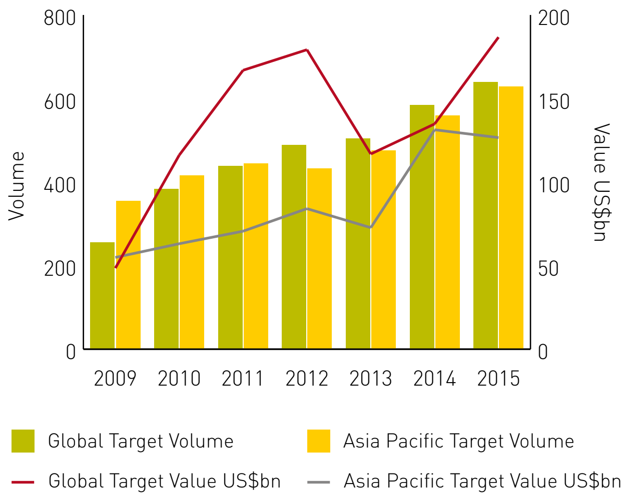
US$1.7bn purchase of National Australia's insurance division in October is just one example of this burgeoning trend.

"Japanese banks and insurance companies have been very active in other Asia Pacific countries because they are regulated industries and you need licenses," says Hideo Norikoshi, an M&A partner in Baker & McKenzie's Tokyo office. "It's hard to build these businesses from scratch and they want customers."

Inbound deals steady

The value of inbound deals into Asia Pacific by Western buyers and others outside the region reached US$83.4bn in 2015, up 2% from 2014. Despite continuing concerns about legal and regulatory uncertainty in Asian markets, India emerged as a top target for inbound acquisitions in 2015. India's technology sector was particularly attractive to foreign buyers last year, rising to 44 deals, including transactions such as US-based

ASIA PACIFIC OUTBOUND M&A 2009-2015



ASIA PACIFIC OUTBOUND M&A VOLUMES BY BIDDER REGION & TARGET SECTOR 2015

0 5 10 20 30 40 50 60 70

*Excluding Singapore

	China	Japan	Hong Kong	Australia	Singapore	Other East Asia	India	ASEAN*	Other Australasia	**Total**
Industrials	42	68	29	11	10	17	8	6	1	192
Technology	41	38	21	26	5	14	8	4	3	160
Consumer	38	32	33	8	11	8	3	11	1	145
Business Services	17	35	17	15	15	1	15	1	2	118
Financial Services	22	28	13	13	5	14	1	1	3	100
Energy & Utilities	19	11	36	9	14	2	1	6	2	100
Pharma, Medical & Biotech	18	18	20	7	12	3	13	4		95
Leisure	15	2	14	6	9	3	1	11		61
Transportation	10	9	10	4	11	5	1	1		51
Automotive	17	8	2		2	7	5	2		43
Mining	15		5	10	2	2	1	1	1	37
Chemicals & Materials	8	15	5	1	2	1	1	3		36
Telecomms	7		15	3	3	1	1	3	1	34
Media	9	10	2	3			1	1		26
Real Estate	6		15	1	4					26
Agriculture	6	4	2	3	3		1	4	1	24
Construction	5	4	4	1	4	1		1		20
Total	295	282	243	121	112	79	61	60	15	1,268

0 5 10 20 40 60 80 145

*Excluding Singapore

ASIA PACIFIC INBOUND M&A VOLUMES BY BIDDER AND TARGET REGIONS 2015

IT outsourcing firm Virtusa's acquisition of a 53% stake in India software company Polaris for US$350m.

"A lot of people consider President Modi's administration to be a stronger government than the previous administration," Innis says. "A number of sectors have been liberalized, which gives people comfort that there may be a reform road ahead."

EYE ON THE FUTURE

Three key trends to watch

Open doors: Next year could bring greater liberalization of industries in various Asian countries as government leaders seek to attract more inbound investment to bolster their economies. "A number of the ASEAN countries will be looking to cut red tape and bureaucracy, including Indonesia which has launched eight economic regulatory reform packages since August 2015," Innis says.

Up-and-comers: Myanmar, Vietnam and the Philippines are likely to draw more interest from foreign buyers in 2016 as their domestic markets continue to develop. "In Myanmar it may be more foreign direct investment at first, but there are also M&A opportunities in infrastructure, real estate, tourism and manufacturing," Fleming says.

Chinese currency milestone: Following the IMF's approval of the Chinese yuan as an official global currency in November, further liberalization of China's currency is likely to continue. Broader use of the yuan in trade and finance could open the door for more M&A deals in 2016.

Target Region

Bidder Region	China	India	Australia	ASEAN*	Hong Kong	Other East Asia	Other Australasia	Singapore	Japan	Other South Asia	**Total**
North America	36	83	60	9	10	15	8	9	16	1	247
Hong Kong	144	6	5	6		8	3	10	3		185
EU	18	45	48	21	7	10	6	7	7	1	170
China		6	19	7	65	17	4	10	4		132
Japan	8	20	13	31	6	10		10			98
Singapore	20	17	6	20	3	1	2			1	70
Australia	4	3		4	2	2	31	1			47
Other East Asia	18		1	14	5	2	1	2	3		46
ASEAN*	1	4	5	15	1	1	1	5		1	34
Other Europe	4	3	4		1	2	1				15
Middle East		4	2		3	3	1				13
Other Australasia	1		8				2				11
Africa		4	4	1							9
India			3					1	1	1	6
Latin America				1			1				2
Total	254	195	178	129	103	71	61	55	34	5	1,085

5 SPOTLIGHT: LIFE AFTER THE DEAL

Five ways to get more value out of M&A through post-acquisition integration

By Kirsty Wilson and Alistair Foley

The importance of post-acquisition integration planning as part of the deal process is well recognized by today's business leaders. In practice, however, it is clear that when applying this to a real-life transaction, there is still too much focus on the buying process and not enough on what the end result should look like.

Without an integration checklist and timeline that details the steps your company will take during the months after closing, you lose critical time performing key tasks that can optimize the value of the target and help avoid deal failure. In a recent study by the Economist Intelligence Unit, 48% of the 350 senior business executives surveyed said post-acquisition integration planning is the most effective strategy for mitigating execution risk in cross-border transactions.

In our experience advising global companies during the post-acquisition process, some companies try to integrate too quickly, without giving enough thought to issues like the most tax efficient way to structure the integration or how the acquired products and services will fit into their business strategies. Other companies delay integration for such a long time they miss out on immediate cost savings or the positive impact it can have on their business cultures.

When developing an integration plan, achieving a balance that works for your organization is important. Here are five tips to make the process more successful.

1. Establish clear objectives. The first question any acquiring company needs to ask itself is, "What are we trying to gain from this acquisition?" Is it entering new markets? Expanding our customer base? Acquiring new supply chains? Achieving greater synergies? What is the desired end result? The answer to this question will serve as the focus for your post-acquisition integration plan.

2. Start early. The sooner you can create an integration plan, the better. In an ideal world, companies would plan the integration during the due diligence phase to take advantage of the information the deal team has gathered about the target's key markets, operating model, business relationships and talent. Starting early helps avoid trying to duplicate these efforts after key people in the target company have left and the deal team has moved on to other prospects.

But if you can't start early…

3. Establish a "clean-team" structure. With many deals subject to increased antitrust scrutiny and approval requirement, establishing a "clean-team" structure to plan the integration in parallel with the regulatory process can achieve significant benefits in major acquisitions of competitors. In the case of an auction process, making sure your deal team doesn't move on without providing input on the integration plan immediately after closing — or even better, signing — will help you avoid losing critical information during the transition.

4. Focus on key markets. Another shortcut when under time or resource constraints is to focus your planning efforts on the integration of target subsidiaries in key markets. To determine which markets to tackle first, ask yourself these questions: Is integration time-critical in this country to maintain a competitive edge? Which business lines or countries will give us the biggest synergy impact? And what local HR, finance, IT and tax resources does the target have to help plan and execute the integration?

5. Keep the target's employees in the loop. One of the biggest risks acquiring companies face is losing valuable talent. Without ongoing communication that informs the target workforce of your business objectives and how they fit into the picture, the best talent is likely to leave for competitors, creating additional recruitment costs and a loss of institutional knowledge that makes it more difficult to implement your integration plan.

Trying to think of everything you must do to make a deal successful isn't easy, particularly when you're in the middle of negotiations. But taking the time to create an integration plan as early as possible and involving the deal team gives you a much better chance of delivering the shareholder value you were seeking in the first place.