Deloitte.

Outlook for regions and sectors

Deloitte M&A Index

Outlook for 2017

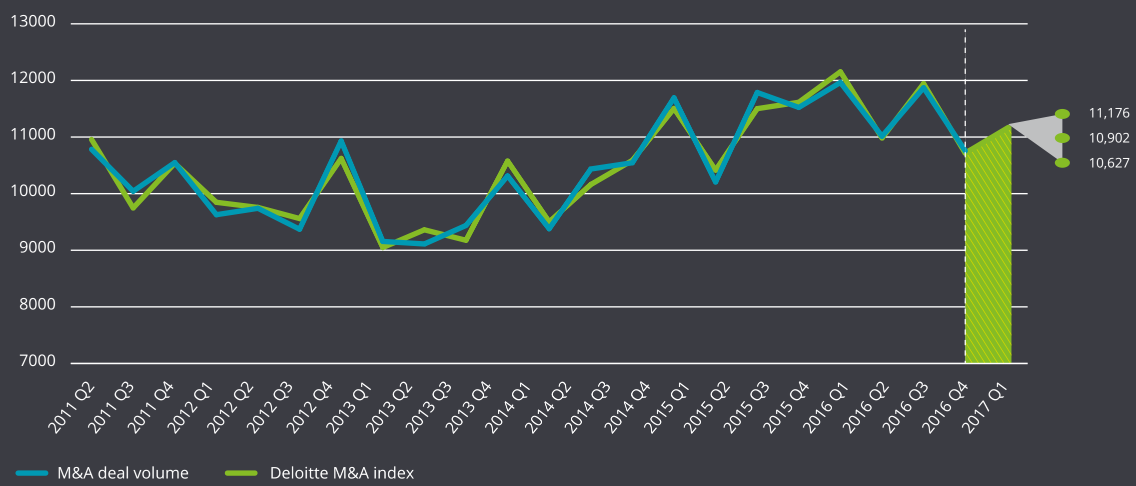
M&A

Contents

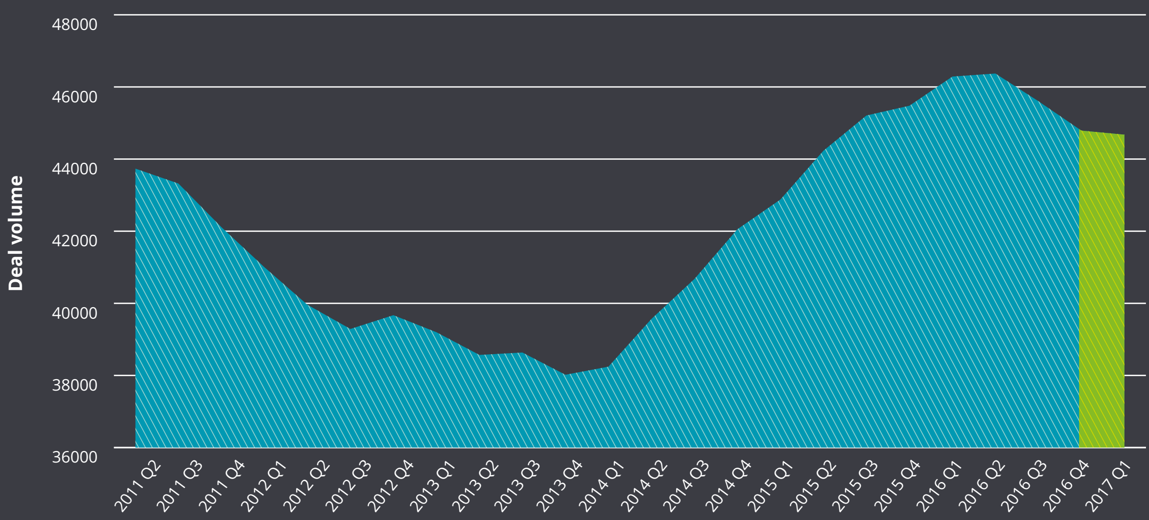
M&A Index Model Prediction

The M&A Index model predicts a modest decline in volumes in the first quarter of 2017. Overall, volumes have held up reasonably well and are just two to three per cent down on 2015. However, on LTM (last-twelve-months) basis deal volumes have been slowing since the second half of 2016.

The Deloitte M&A Index



Global LTM deal volumes



Source: Deloitte M&A Index model based on Deloitte Analysis as of 6th December 2016.
M&A deal volume and LTM based on analysis of data from Thomson One Banker as of 6th December 2016.

Deal corridors and outlook for regions

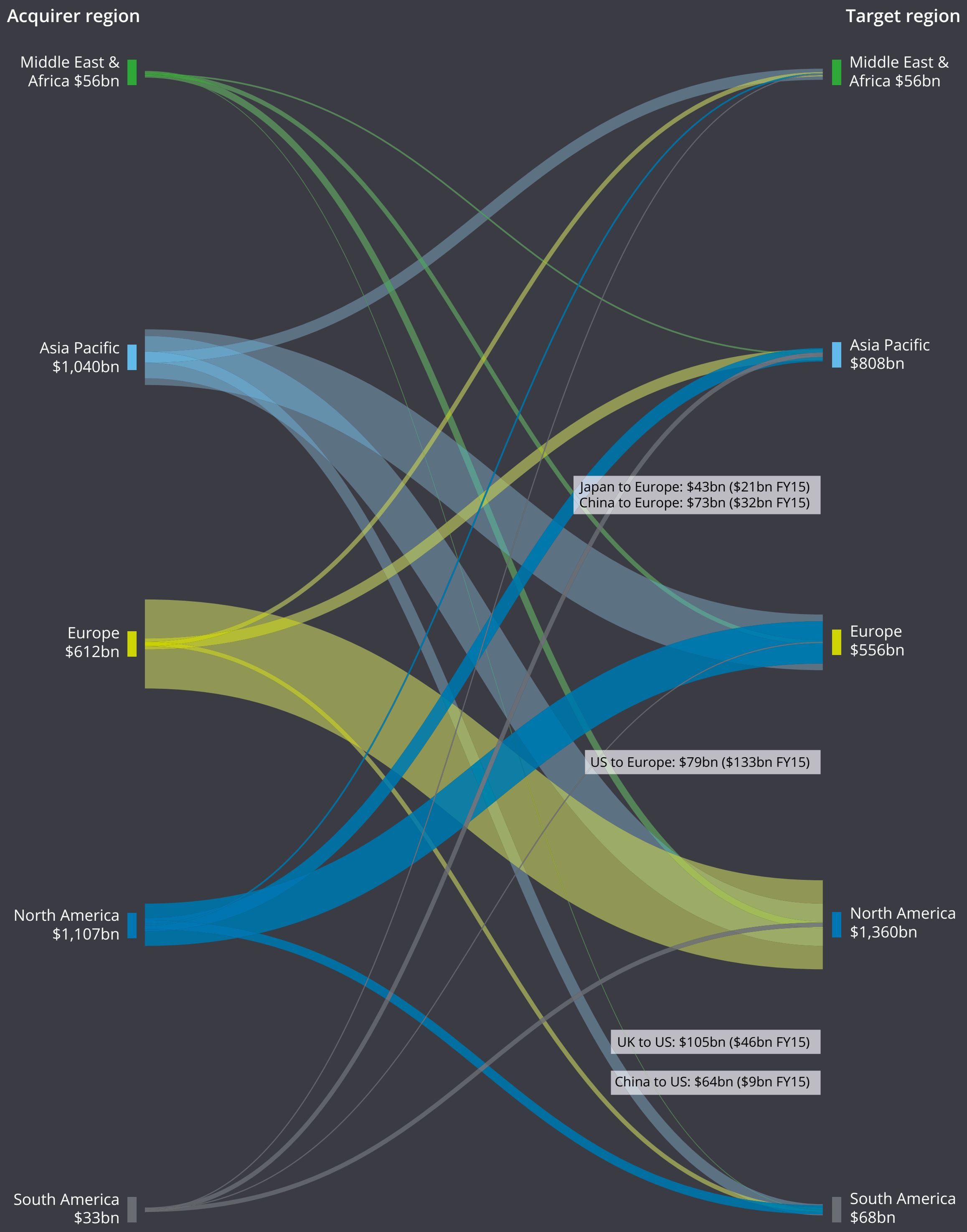
In 2016 around $1.04 trillion worth of cross-border deals were announced, accounting for 36 per cent of total global M&A deals, the highest proportion since 2012.

Deal corridors were a central feature of cross-border M&A. The most active corridor was between Europe and North America. The UK ($106 billion) and Germany ($76 billion) were the most active acquirers in North America in 2016. However, US acquisitions in Europe declined from $133 billion in 2015 to $79 billion. The Asia-Europe corridor has been dominated by China and Japan. They made acquisitions of $73 billion and $43 billion respectively in Europe.

Looking ahead, we expect cross-border M&A to remain prominent in 2017. The US economy has started to accelerate and will provide growth opportunities. The strength of the dollar could also prompt US companies to seek assets in Europe and elsewhere. China has emerged as a major player in cross-border outbound deals. Chinese companies are seeking overseas growth opportunities to counter domestic slowdown. At the same time the current levels of capital outflow are putting pressure on the renminbi and deals could face greater government scrutiny.

"Looking ahead, we expect cross-border M&A to remain prominent in 2017. The US economy has started to accelerate and will provide growth opportunities. The strength of the dollar could also prompt US companies to seek assets in Europe and elsewhere."

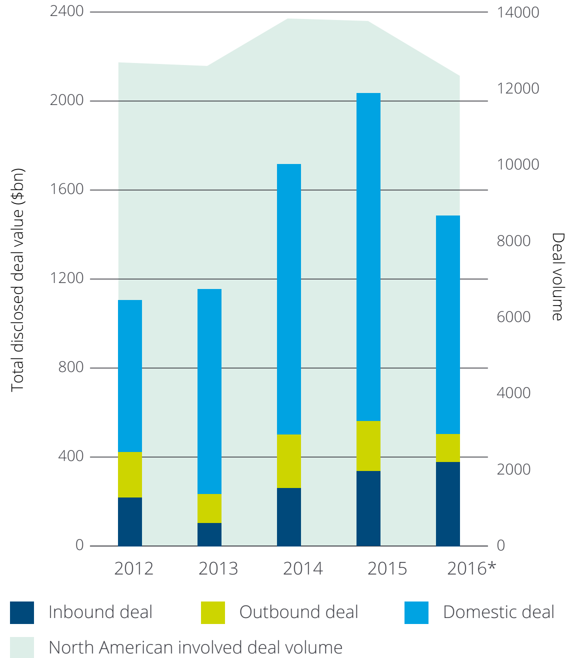
Figure 1: M&A deal value across regions in 2016 (in $bn)



Note: 2016 figures are as on 7th December 2016. Width of the curve indicates the sum deal value.
Source: Deloitte Analysis

Outlook for regions

Total disclosed deal value in North America, 2012-16



"In 2016 around $1.5 trillion worth of deals were announced by North American companies, a slowdown from the $2 trillion announced in 2015."

North America

In 2016 around $1.5 trillion worth of deals were announced by North American companies, a slowdown from the $2 trillion announced in 2015.

In Canada, the M&A market remained strong, boosted in particular by the energy and resources sector. Canadian companies were involved in $165 billion in deals, compared to $170 billion in deals in 2015.

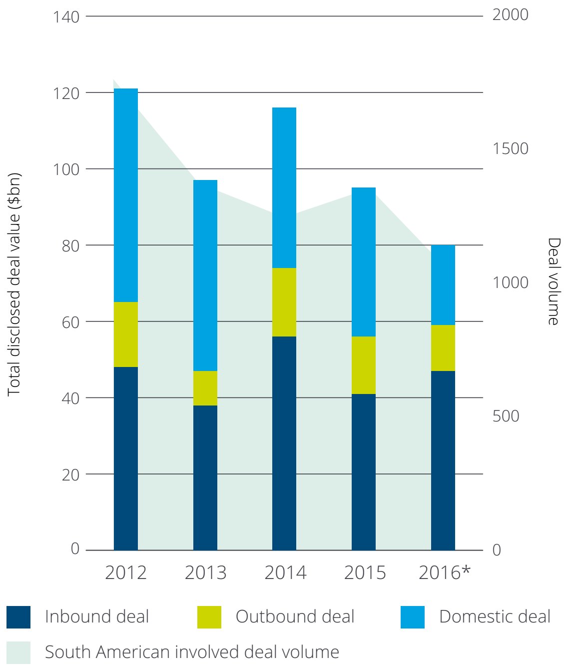
Last year, Deloitte surveyed** over 1,000 US corporate executives on the prospects for M&A in 2017 and the vast majority are expecting an uptick this year. They expect transaction sizes to become bigger and divestments to be a major focus as companies shed businesses to refocus. Acquiring technology assets to mitigate the impact of disruptive innovation is a top priority for all sectors.

Note: 2016 figures are as on 7th December 2016*

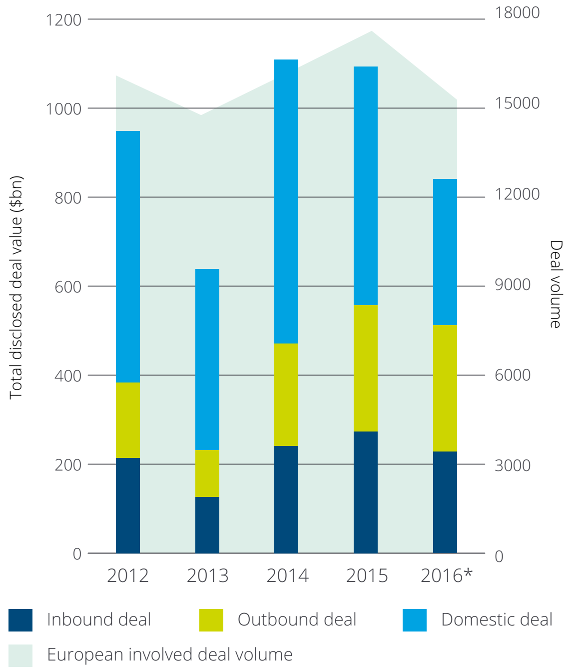
Source: Deloitte Analysis

** Deloitte US M&A Trends Report

Total disclosed deal value in South America, 2012-16



Total disclosed deal value in Europe, 2012-16



South America

M&A remained subdued in South America during 2016 as major economies like Brazil continued to battle recession. Around $80 billion worth of deals were announced, the lowest in over a decade.

However, inbound investment into South America recovered well and last year $47 billion worth of deals were announced, led by Chinese and US investments. The region received nearly $22 billion of inbound investments in the energy and resources sector, one of the highest figures on record.

Despite political and economic challenges, Brazil was the most active market in the region, followed by Chile. Private Equity firms have started coming back to the region and this trend seems likely to continue in 2017.

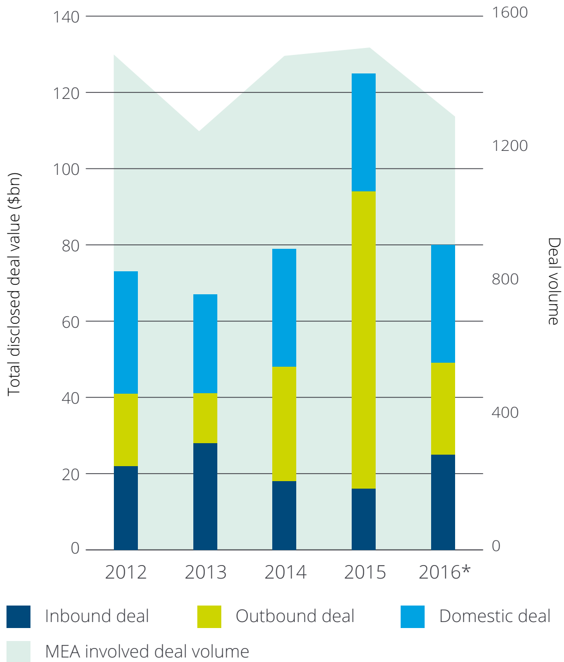
Europe

In 2016 M&A slowed down by 23 per cent from 2015, primarily due to the weak domestic market. However, cross-border M&A remained strong. European companies announced a record $285 billion worth of outbound deals into North America, the highest since 2007. Chinese companies announced $73 billion worth of acquisitions of European companies.

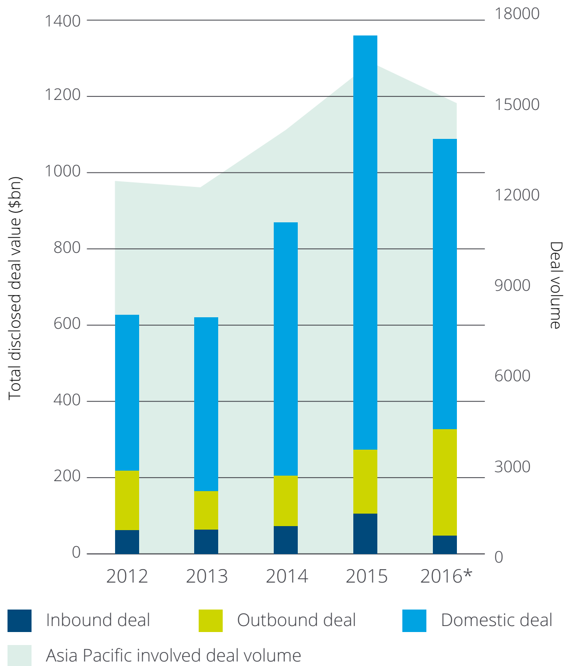
The UK was the dominant market in Europe and UK companies were involved in $255 billion worth of deals. The other key markets were Germany with $169 billion and France with $111 billion worth of deals.

Looking ahead, Europe faces much political uncertainty over the coming months with elections in the Netherlands, France and Germany, and with the UK's exit negotiations with the EU. Despite this, there are indications that deal-making will continue to hold up well. In the UK, companies will seek to expand into overseas markets to offset the pressure from "Brexit". European assets will continue to remain attractive to overseas buyers from the US, China and Japan.

Total disclosed deal value in MEA, 2012-16



Total disclosed deal value in Asia Pacific, 2012-16



Middle East and Africa

In 2016, M&A markets in the Middle East and Africa held up relatively well. Inbound investments increased by 55 per cent to $25 billion, the highest since 2013. China was the most active investor in this market. Domestic M&A remained steady at $31 billion while outbound flows fell to $24 billion, a 69 per cent decline from 2015.

The Middle East was a strong performer, largely down to Israel, which saw $17 billion in deals, the highest in over a decade; this was largely due to US acquisitions of innovative Israeli start-ups. The UAE was the other strong performer, with $16 billion worth of deals.

In Africa the weak economic and political outlook, combined with low oil prices, continued to affect oil-dependent economies such as Nigeria. Political uncertainty in South Africa also dented investor confidence and M&A fell to its lowest there since 2013.

Asia Pacific

After two record-breaking years, Asia-Pacific saw a relative slowdown in 2016 with $1.1 trillion worth of deals announced. In part this was due to the cooling of the Chinese economy and reduced domestic Chinese M&A.

China and Japan remained active in outbound acquisitions. Chinese companies announced $188 billion worth of outbound deals, the highest on record. Japanese companies announced $76 billion worth of outbound deals, marking a strong return to the global M&A markets.

Australian companies maintained their momentum and, despite the challenging global conditions, were involved in $83 billion worth of deals, which is 16 per cent lower than 2015.

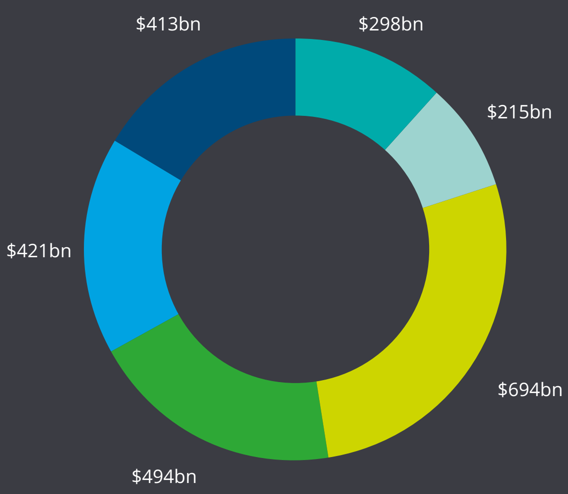
Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

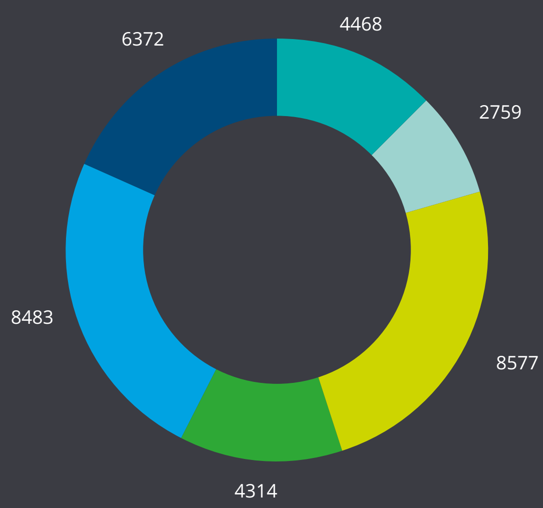
Outlook for sectors

The TMT sector dominated the M&A markets in 2016, accounting for $694 billion in deals, about 24 per cent of total global deal values, and 8,577 deals, about 21 per cent of total global deal volumes. From a value perspective, the other strong sectors were Energy & Resources, with $494 billion, and Consumer Business, with $421 billion worth of deals. In terms of volume the other strong sectors were Consumer Business, with 21 per cent of global deal volumes, and the Manufacturing sector, with 16 per cent of global deal volumes.

Global M&A deal value (2016) by target sector



Global M&A deal volume (2016) by target sector



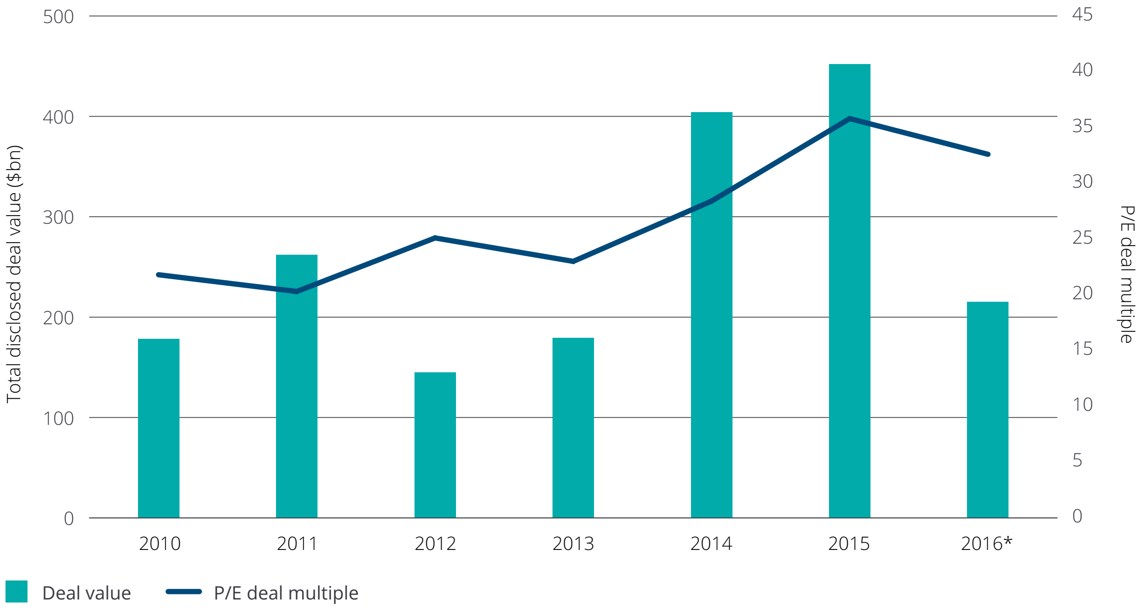
Financial Services
Life Sciences & Healthcare
Technology, Media & Telecoms
Energy & Resources
Consumer Business
Manufacturing

Source: Deloitte Analysis

Life Sciences and Healthcare (LSHC)

In 2016, the life sciences and healthcare sector announced around $215 billion worth of deals, about half the level of the previous two years. One of the reasons for this decline was that $168 billion worth of deals were withdrawn in 2016. In the pharmaceutical sector $75 billion worth of deals were announced, compared to $200 billion in 2015, and in the healthcare sector $131 billion worth of deals were announced, compared to $205 billion in 2015.

Figure 1: Global disclosed deal values for LSHC as a target ($bn), 2010-2016



The average price to earnings multiple on the 2016 deals still remained relatively high at 32.6 compared to 35.8 in 2015. There was a decline in mega-deals; only three were announced in 2016 compared to eight in 2015.

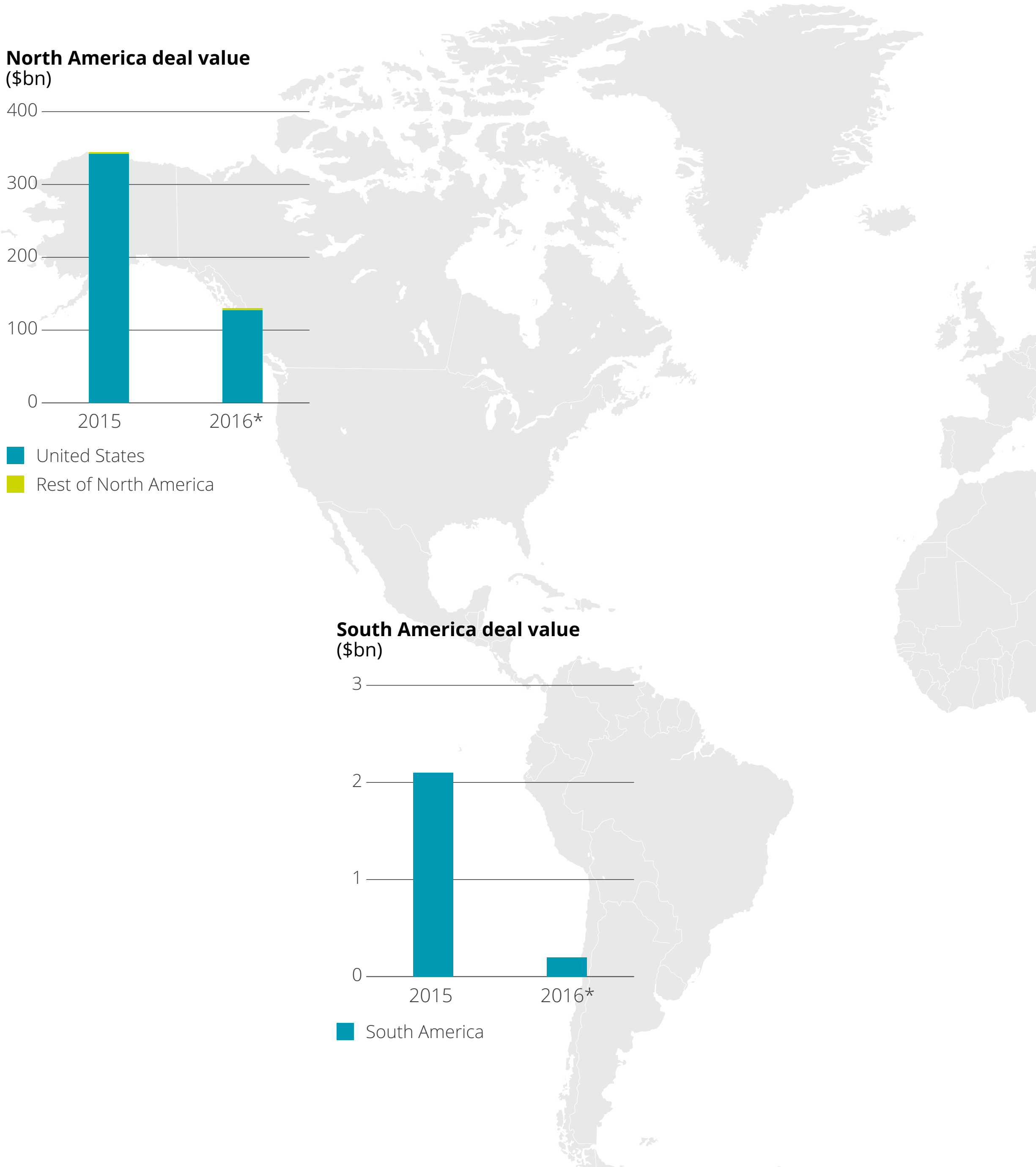
There were also $168 billion worth of announced deals that were withdrawn in 2016 compared to $97 billion withdrawn in 2015.

Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

The US was the most active market and contributed to nearly 60 per cent of the announced deals. Europe was the only region that saw an uptick in deals and France was the most active target country, followed by the UK and Sweden.

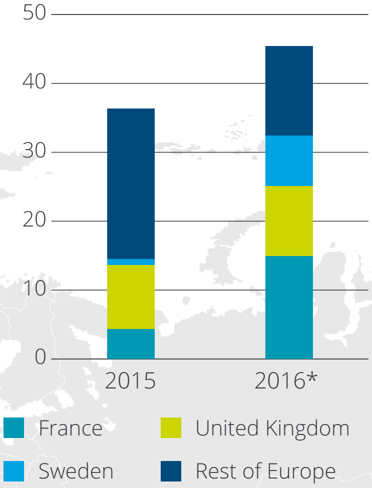
Figure 2: LSHC deals by target region (2015 vs 2016)



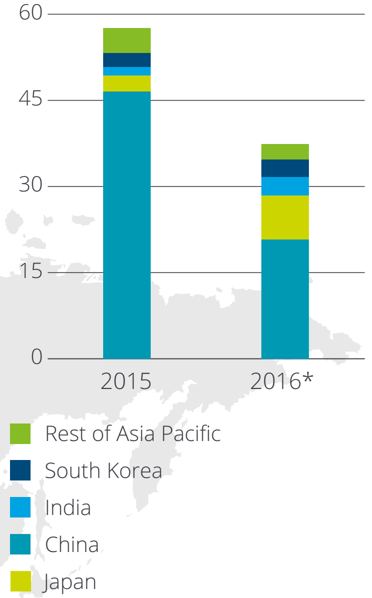
Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

Europe deal value
($bn)



Asia Pacific deal value
($bn)



Middle East & Africa deal value
($bn)

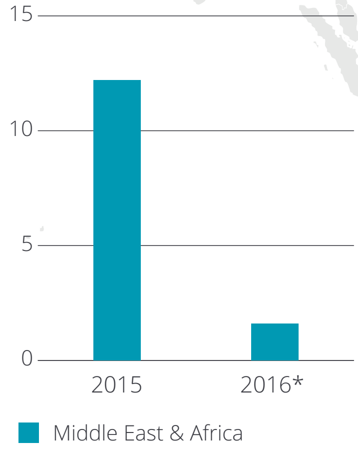
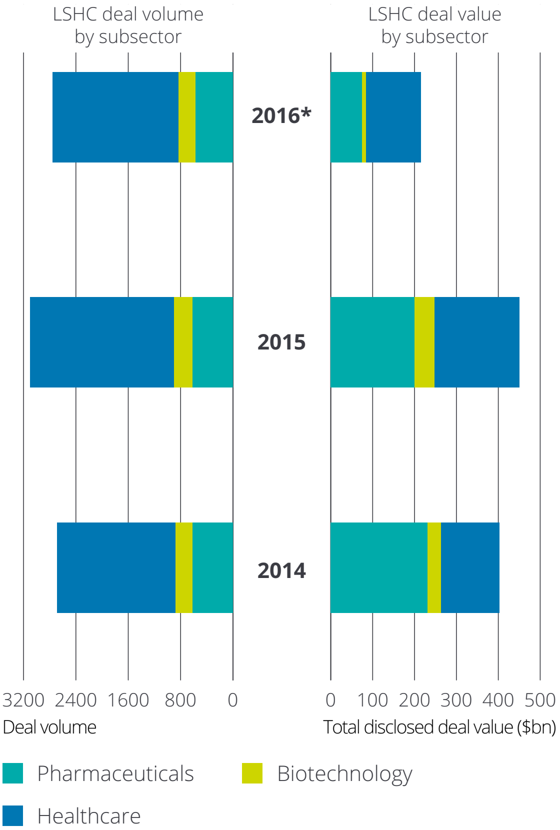


Figure 3: LSHC deals by target subsector



While LSHC volumes remained strong, values declined sharply, driven by the fall in mega-deals in this sector.

Cross-border deals in 2016 stood at $60 billion, down from $154 billion in 2015. France received $13.1 billion worth of inbound investments, followed by the US, with $12.1 billion. Germany and the US were the most active cross-border acquirers and made acquisitions of $19.8 billion and $15.1 billion respectively in 2016.

"Germany and the US were the most active cross-border acquirers and made acquisitions of $19.8 billion and $15.1 billion respectively in 2016."

Cross-Border Deals received (2016)	
Country	**Deal value ($mn)**
France	13,080
United States	12,056
Sweden	7,188
United Kingdom	7,056
Spain	6,621
Total	**59,973**

Cross-Border Acquirers (2016)	
Country	**Deal value ($mn)**
Germany	19,782
United States	15,066
China	5,669
Japan	3,567
Switzerland	3,288
Total	**59,973**

Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

Figure 4: Financial performance of the S&P Global 1200 Health Care Index constituents

Figures in $bn	CH1 2015	CH1 2016	
Cash & ST Investments	312.0	312.8	◆
Total Debt	675.7	796.1	▲

Note: CH is Calendar Half Year

Source: Deloitte Analysis

Figures in $bn	CH1 2015	CH1 2016	
Total Revenues	708.9	827.0	▲
Cash spent on M&A	127.8	42.2	▼
Capital expenditure	20.1	23.0	▲
R&D expense	55.3	59.4	▲
Common dividends paid	46.8	48.2	▲
Share repurchases	42.9	44.9	▲

The financial performance of the largest life sciences and healthcare companies has been buoyant in 2016. Their revenues have risen substantially, spurring increases in capital expenditure and R&D. There has also been a big rise in their total debt, largely down to their M&A activities in 2015. At the same time, the cash spent on M&A has halved compared to the same period in the previous year and cash reserves remain broadly the same.

In the US, the healthcare sector will be closely following the healthcare policies of the new US government administration. Initial soundings suggest increased emphasis on consumer responsibility and affordability. This may prompt a shift towards transparency, emphasis on the patient experience and a move from volume-based to value-based care models. The healthcare sector is likely to continue to pursue M&A deals to consolidate and achieve economies of scale.

Consolidation and scale benefits were strong factors driving healthcare sector deal-making and, given the significant pressure on costs, these are likely to continue to drive M&A in 2017 as well.

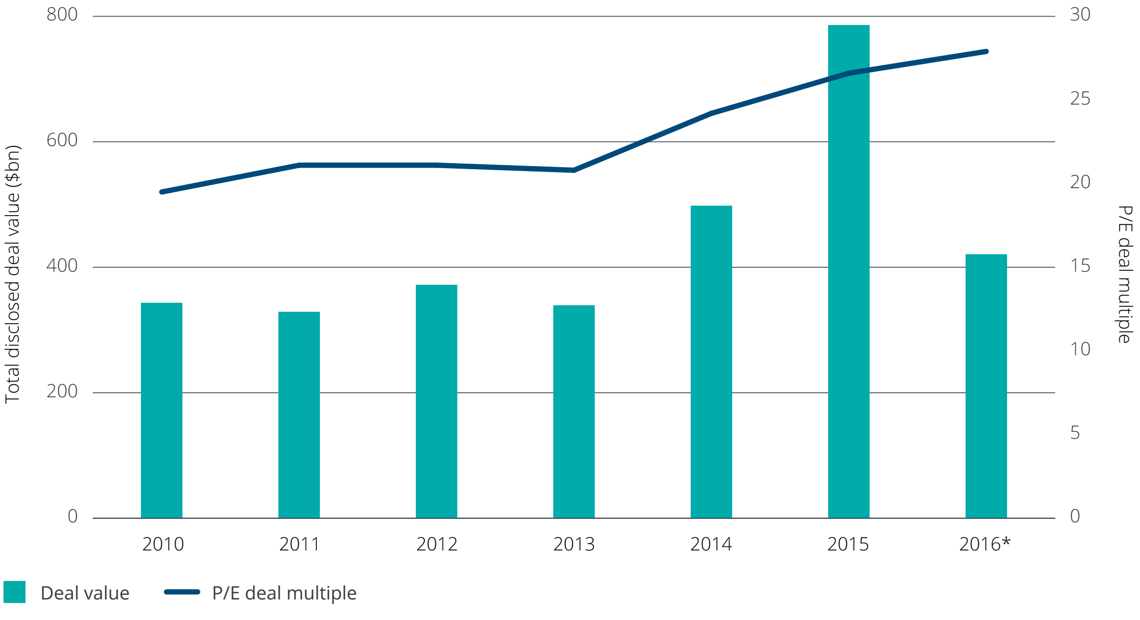
We can also expect acquisitions in specialist areas, where unmet medical needs create the scope to command high margins.

Looking ahead, companies are likely to innovate to deliver high-value healthcare that improves overall health outcomes and reduces costs. This in turn could stimulate deals at the convergence between the technology and health sectors.

Consumer Business

The Consumer Business (CB) sector announced deals worth $421 billion in 2016 compared to $786 billion in 2015. There were fewer mega-deals (greater than $10 billion), just four were announced, compared to 14 in 2015. However, mid-market deals in this sector held up well and overall the consumer business sector accounted for 21 per cent of total global volumes

Figure 1: Global disclosed deal values for consumer business as a target ($bn), 2010-2016



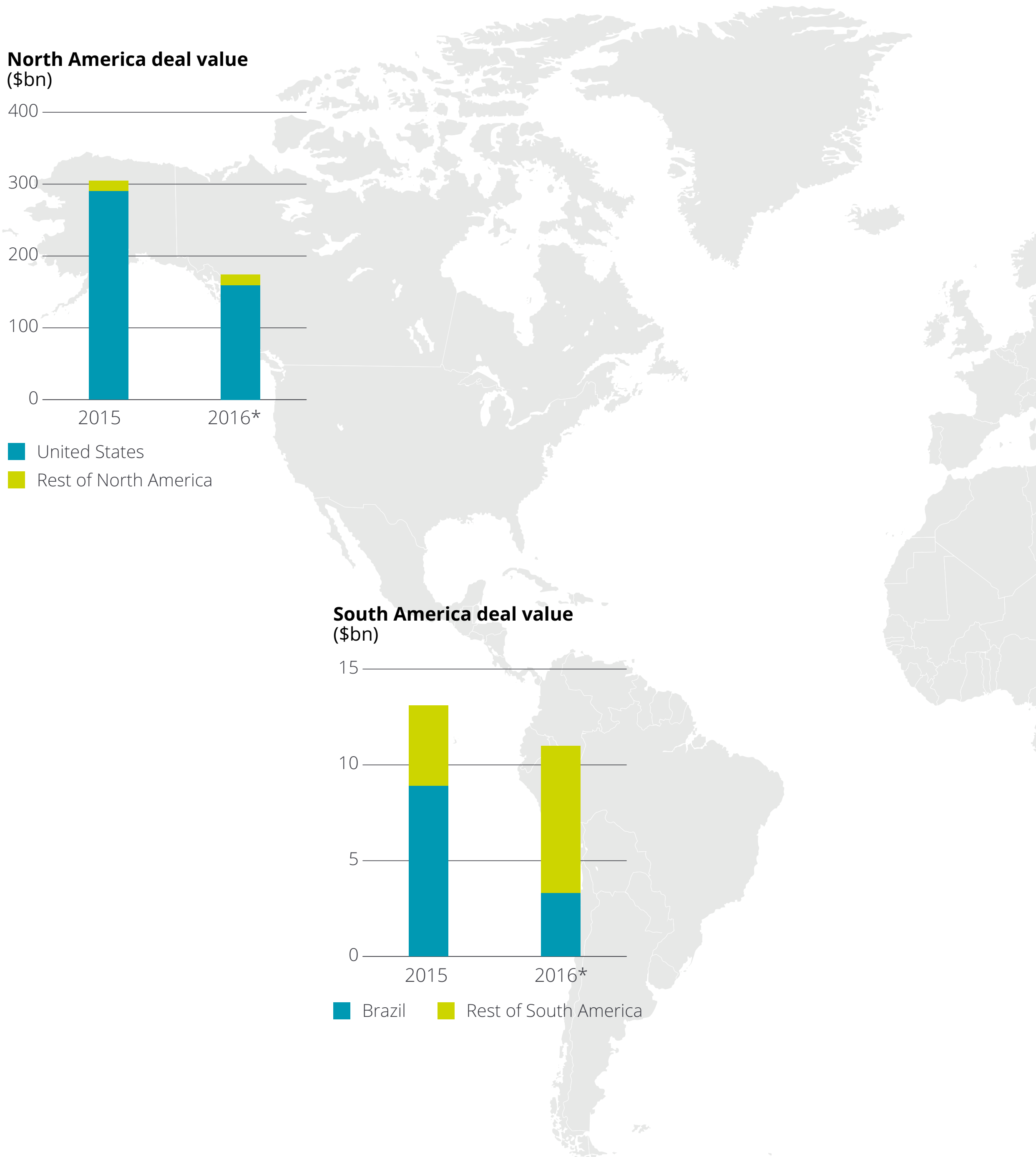
The average P/E multiples for deals in this sector continued to soar and currently stands at 28, the highest in many years. This may begin to impact affordability and deal completion.

Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

All major regions saw a slowdown in M&A deal values, with Europe bearing the brunt. Some of the hot spots were Australia, the Middle East & Africa and South America.

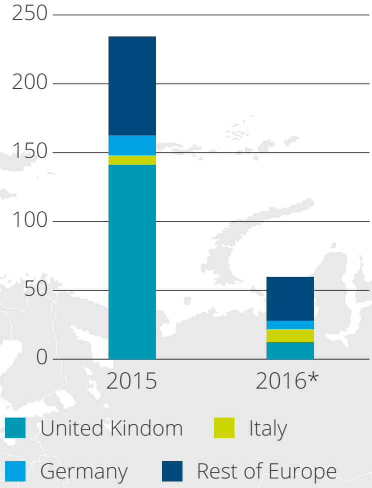
Figure 2: Consumer Business deals by target region (2015 vs 2016)



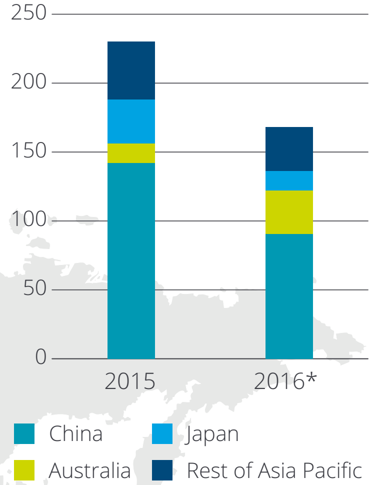
Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

Europe deal value
($bn)



Asia Pacific deal value
($bn)



Middle East & Africa deal value
($bn)

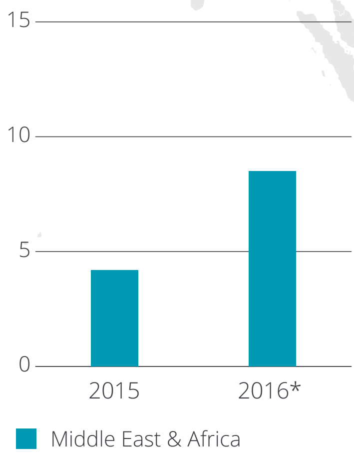
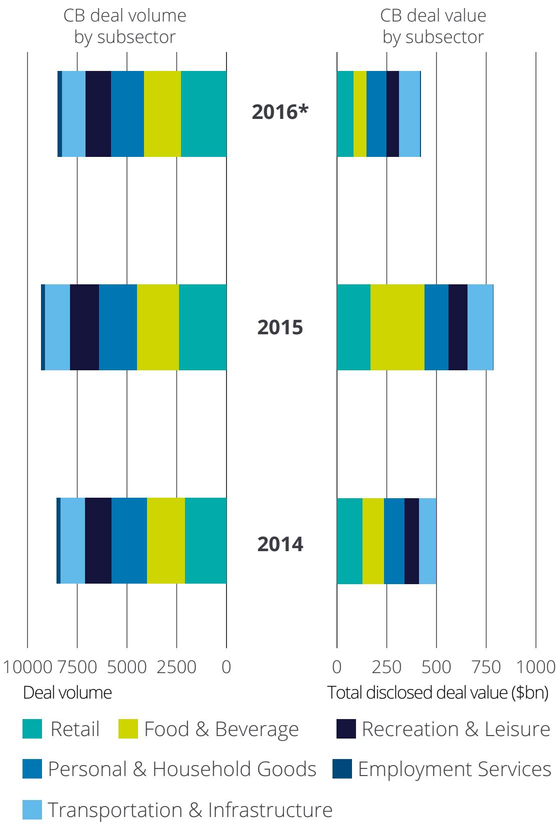


Figure 3: Consumer Business deals by target subsector (2014-2016)



Although deal values fell, deal volumes have held up relatively well in the Consumer Business sector. Volumes were propped up by smaller deals in a variety of sub-sectors such as packaged goods, food & beverages, recreation & leisure and transportation.

In 2016, companies announced $193 billion in cross-border deals, 43 per cent lower than the $338 billion announced in 2015.

The US received $105 billion in inbound investments, over half the total. The UK was the biggest investor into the US, with $47.4 billion in deals made last year. China was the other significant player in outbound acquisitions, making $25 billion worth of investments, of which $18 billion were in the US.

"In 2016 companies announced $193 billion in cross-border deals."

Cross-Border Deals received (2016)

Country	Deal value ($mn)
United States	104,982
United Kingdom	7,160
Canada	6,706
China	6,520
Australia	5,455
Total	**193,283**

Cross-Border Acquirers (2016)

Country	Deal value ($mn)
United Kingdom	56,422
China	25,160
France	18,901
United States	18,897
Ireland-Rep	11,128
Total	**193,283**

Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

Figure 4: Financial performance of the S&P Global 1200 Consumer Staples and Consumer Discretionary Indices constituents

Figures in $bn	CH1 2015	CH1 2016	
Cash & ST Investments	513.7	609.3	▲
Total Debt	1905.7	2226.9	▲

Figures in $bn	CH1 2015	CH1 2016	
Total Revenues	2468.9	2591.1	▲
Cash spent on M&A	45.3	67.9	▲
Capital expenditure	106.3	111.2	▲
R&D expense	23.7	25.2	▲
Common dividends paid	89.1	90.3	▲
Share repurchases	64.1	71.5	▲

Note: CH is Calendar Half Year

Source: Deloitte Analysis

Analysis of the consumer business constituents of the S&P Global 1200 index shows that overall performance has been strong. Companies in this sector have managed to increase their cash reserves significantly to $609 billion, despite spending $22 billion more cash than in 2015 on M&A. Their revenues increased by 5 per cent, as did their capital expenditure and R&D spending.

Looking ahead, in both the US and the EU the labour market continues to strengthen, disposable personal income is edging up and consumer confidence remains elevated. However, the possibility of rising inflation and the impact of uncertainties such as Brexit remain a concern. While there is appetite for large-scale consolidation deals, regulatory obstacles and high valuations means it is becoming harder to pull them off. Last year alone, $107 billion worth of deals were withdrawn and this included three mega-deals worth $65 billion.

Consumer business companies need to address two key challenges. Firstly, they need to respond to the rapid technological and digital shifts that are transforming industry dynamics. Secondly, they need to keep pace with shifts in consumer preferences as choices expand and consumers demand more personalised services and products.

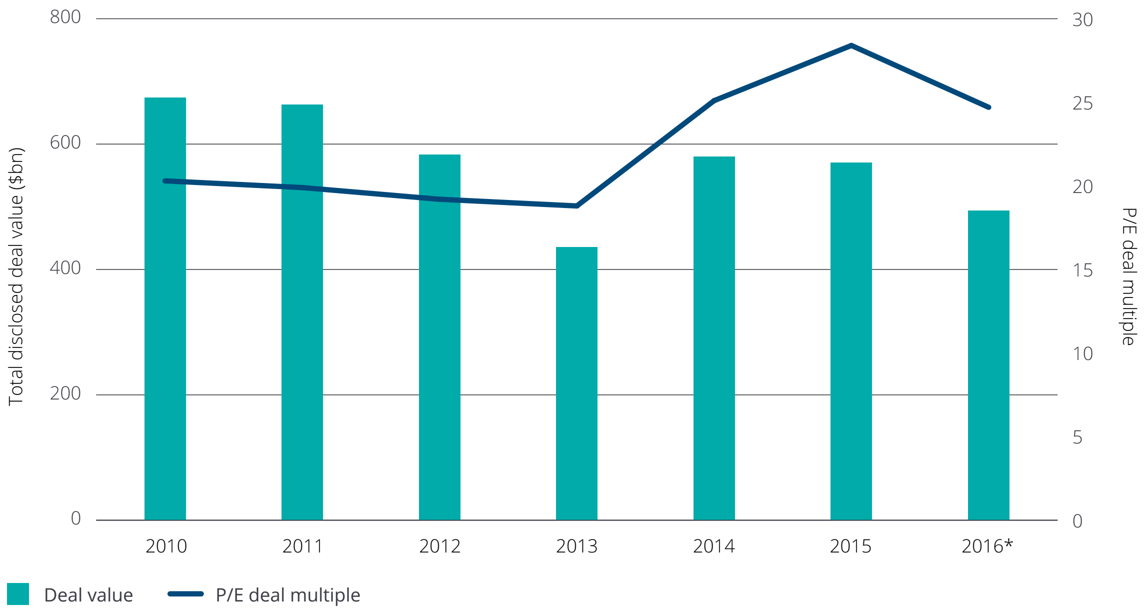
M&A is likely to play a vital role in helping companies address these challenges.

We expect to see an increase in smaller, more strategic deals at the convergence of consumer products, services, technology and health – such as Adidas'[37] recent acquisition of Runtastic, the digital fitness platform.

Energy & Resources

The Energy & Resources (E&R) sector saw $494 billion worth of deals announced in 2016, compared to $571 billion in 2015. This was largely driven by mega-deals of over $10 billion, of which there were five worth $107 billion.

Figure 1: Global disclosed deal values for Energy & Resources as a target ($bn), 2010-2016



As the price of commodities remained depressed for most of 2016, the M&A market was relatively muted. Towards the end of 2016, however, OPEC announced production cuts and helped give a boost to oil prices. The second half of 2016 also saw a rise in divestments in the E&R sector. This is likely to continue into 2017.

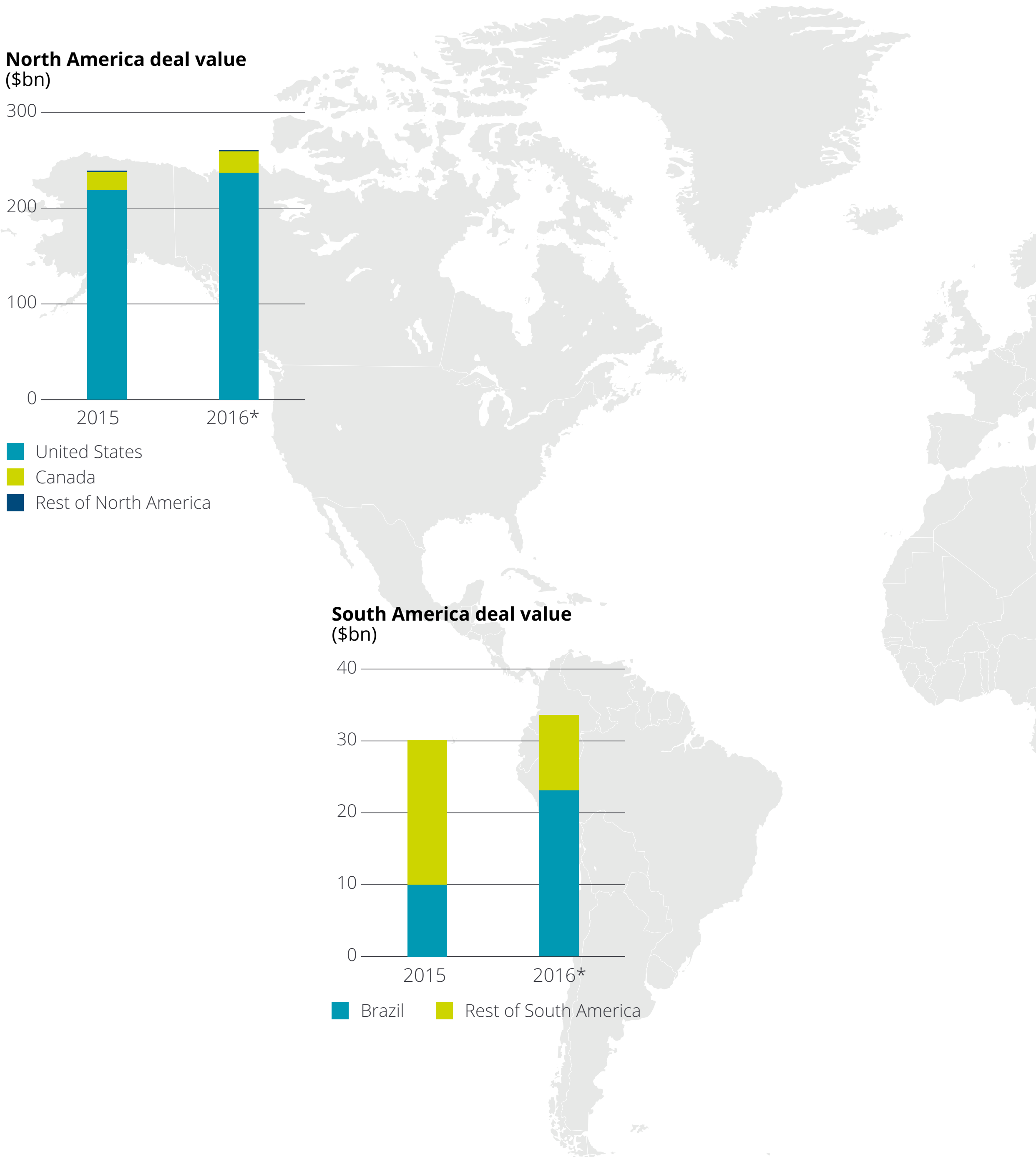
The fall in commodity prices had a spill over impact on the average P/E multiple for deals, which came down in 2016 and is now close to 25.

Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

Most regions, except North America, saw a slowdown in M&A deal values, with Europe bearing the brunt. Some of the bright spots were the US, Canada, Australia and Brazil.

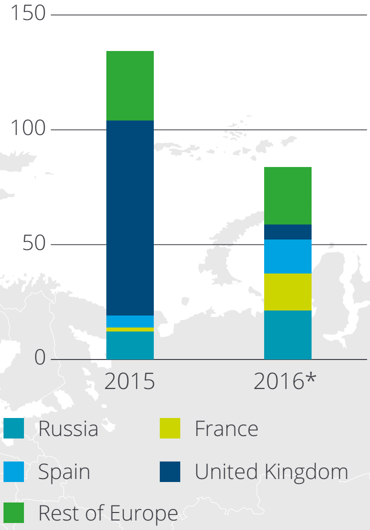
Figure 2: Energy & Resources deals by target region (2015 vs 2016)



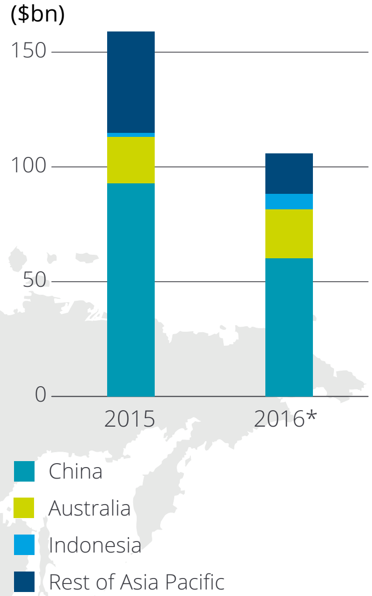
Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

Europe deal value
($bn)



Asia Pacific deal value
($bn)



Middle East & Africa deal value
($bn)

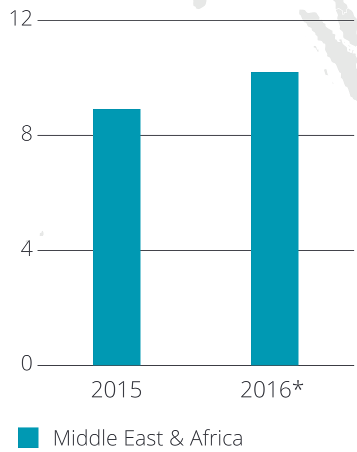
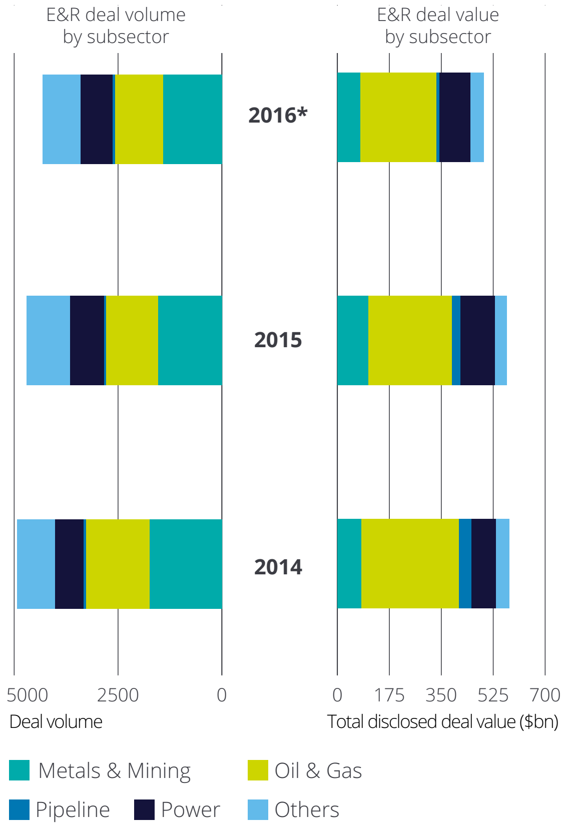


Figure 3: Energy & Resources deals by target subsector (2014-2016)



In 2016, there was a decline in both volumes and values. However some sub-sectors such as metals & mining and oil & gas managed to hold up reasonably well.

Despite the slowdown, the E&R sector remained active in cross-border M&A and in total did $200 billion in cross-border deals in 2016.

The North American market grew in 2016. Canadian companies made $62.1 billion of acquisitions in the US, a threefold increase from 2015 as consolidation continued in this sector.

Chinese companies have been acquiring global mining assets at attractive valuations, thereby expanding their geographic presence and feeding raw materials to the Chinese economy. Chinese outbound acquisitions increased by 85 per cent in 2016 to $34.5 billion, with acquisitions in particular in Brazil and Australia.

Cross-Border Deals received (2016)

Country	Deal value ($mn)
United States	103,991
Brazil	15,384
France	10,434
Spain	7,051
Australia	6,805
Total	**199,986**

Cross-Border Acquirers (2016)

Country	Deal value ($mn)
Canada	66,982
United Kingdom	34,816
China	34,519
United States	20,565
Luxembourg	7,312
Total	**199,986**

Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

Figure 4: Financial performance of the S&P Global 1200 Energy Index constituents

Figures in $bn	CH1 2015	CH1 2016	
Cash & ST Investments	303.1	266.4	▼
Total Debt	1105	1160.9	▲

Note: CH is Calendar Half Year

Source: Deloitte Analysis

Figures in $bn	CH1 2015	CH1 2016	
Total Revenues	1426.7	1087.7	▼
Cash spent on M&A	14.6	19.0	▲
Capital expenditure	198.3	136.2	▼
R&D expense	3.5	3.2	▼
Common dividends paid	42	35.2	▼
Share repurchases	10.2	3.7	▼

Analysis of the energy and resources constituents of the S&P Global 1200 index shows there has been a decline in cash reserves and an increase in debt. There have also been sharp declines in revenues, as well as in capital expenditure.

The oil and gas sector is cautiously envisaging a more promising 2017 as oil prices seem to be recovering. Wood Mackenzie, the industry specialists, estimate that as long as oil prices hold above $55 per barrel, the oil and gas industry is set to be cashflow positive this year for the first time since 2014[8]. That could boost its spending and M&A.

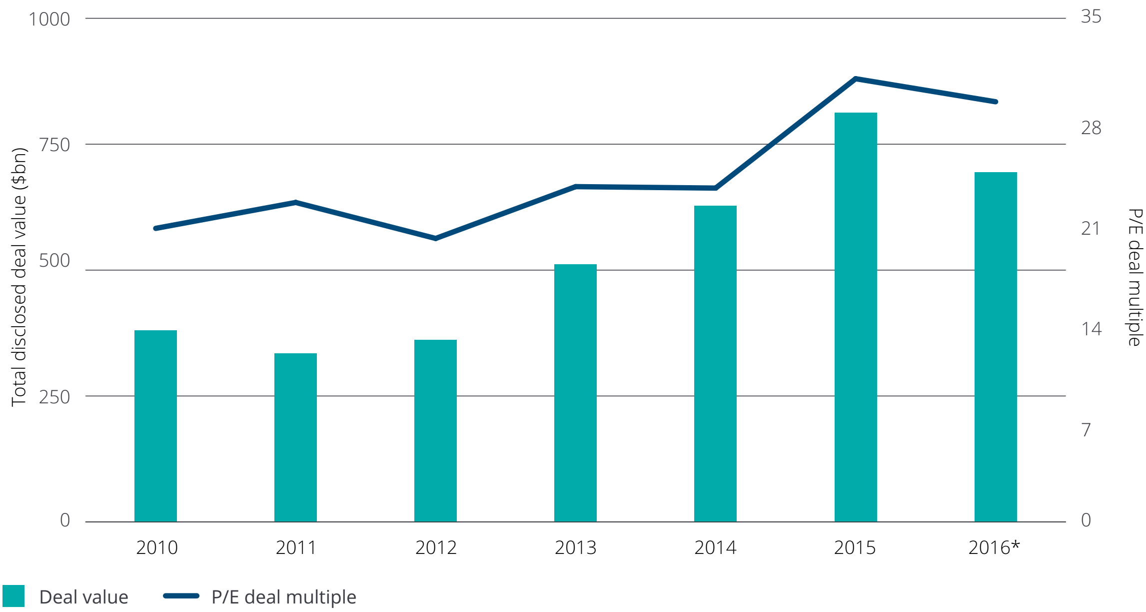
The Energy and Resources sector is using M&A to consolidate as companies look for growth in an environment marked by rising costs, low prices, higher customer expectations and tight regulatory standards. Many companies are also engaging in M&A and venture investments to acquire innovative technologies to manage costs and improve their customer focus.

"The Energy and Resources sector is using M&A to consolidate as companies look for growth in an environment marked by rising costs, low prices, higher customer expectations and tight regulatory standards."

Technology, Media and Telecommunications (TMT)

In 2016, the TMT sector announced $694 billion worth of deals, a decline from $812 billion in 2015. The US, with $429 billion in deals, and China, with $88 billion, were the most active markets in 2016.

Figure 1: Global disclosed deal values for TMT as a target ($bn), 2010-2016



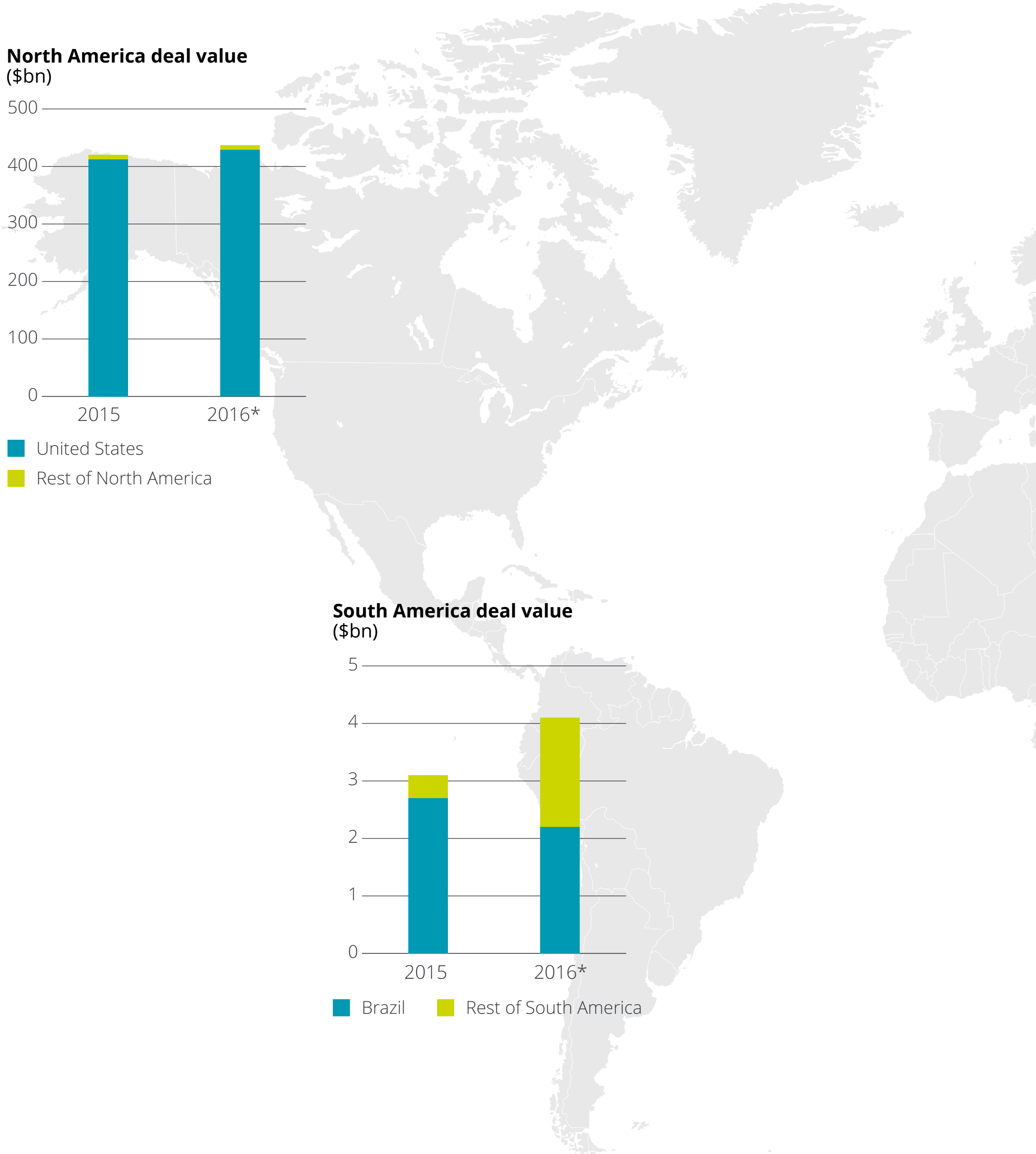
The technology sector announced $464 billion worth of deals, compared to $496 billion in 2015, the media sector $151 billion compared to $143 billion in 2015 and the telecoms sector $79 billion, well below the $171 billion in 2015.

The average P/E multiple for deals declined for the first time since 2014 and now stands at 29.2. The TMT sector led the way for mega-deals. There were six such deals announced, including the AT&T[69] and Time Warner deal, which was the largest M&A transaction of 2016.

Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

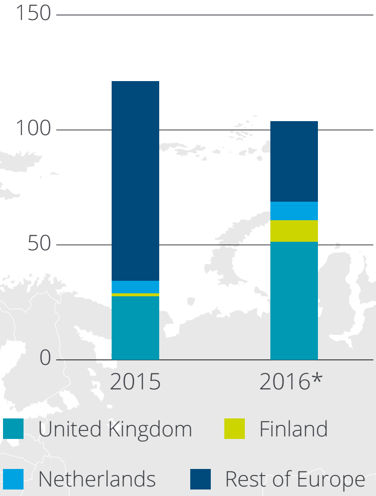
Figure 2: Technology, Media and Telecommunications deals by target region (2015 vs 2016)



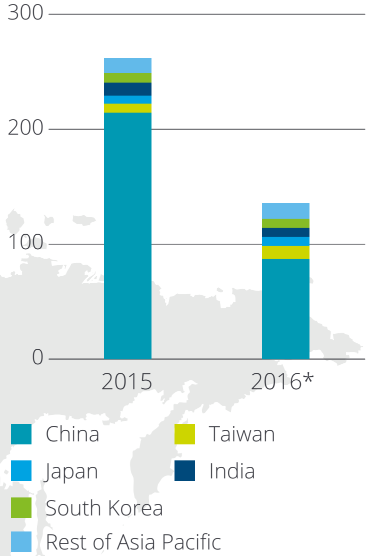
Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

Europe deal value
($bn)



Asia Pacific deal value
($bn)



Middle East & Africa deal value
($bn)

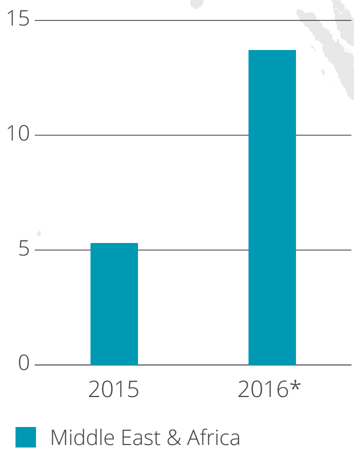
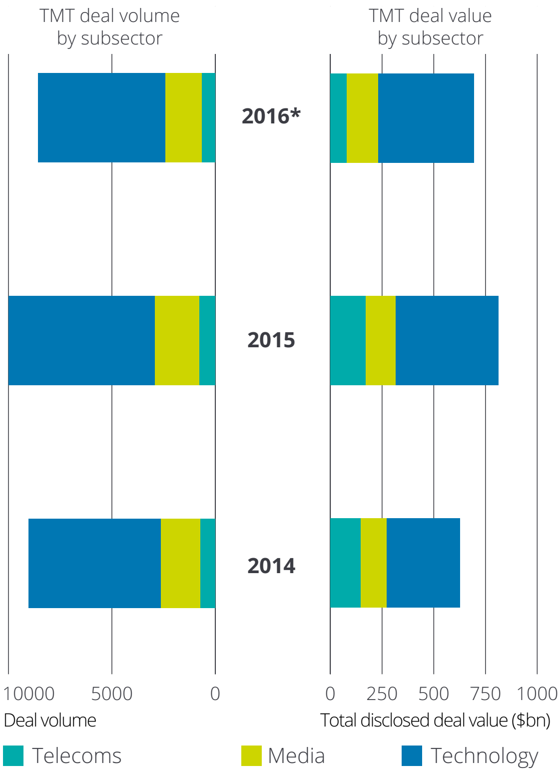


Figure 3: Technology, Media and Telecommunications deals by target subsector (2014-2016)



In 2016, there was a relative slowdown in both deal volumes and values. However, there were $191.6 billion worth of cross-border deals announced in 2016, an increase of 20 per cent over 2015.

Chinese and Japanese companies were the most active cross-border acquirers. They announced deals for $44.2 billion and $41.6 billion respectively in 2016. Most of the Chinese acquisitions were in the US while Japanese companies mostly acquired in Europe.

"Chinese and Japanese companies were the most active cross-border acquirers. They announced deals for $44.2 billion and $41.6 billion respectively in 2016."

Cross-Border Deals received (2016)	
Country	**Deal value ($mn)**
United States	78,820
United Kingdom	46,914
Finland	9,105
Jersey	7,141
Israel	6,568
Total	**191,569**

Cross-Border Acquirers (2016)	
Country	**Deal value ($mn)**
China	44,149
Japan	41,596
United States	22,132
United Kingdom	17,835
Luxembourg	11,953
Total	**191,569**

Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

Figure 4: Financial performance of the S&P Global 1200 Information Technology Index constituents

Figures in $bn	CH1 2015	CH1 2016	
Cash & ST Investments	573.4	649.3	▲
Total Debt	348.4	437.9	▲

Figures in $bn	CH1 2015	CH1 2016	
Total Revenues	570.7	587.8	▲
Cash spent on M&A	15.2	38.6	▲
Capital expenditure	48.6	41.2	▼
R&D expense	57	60.7	▲
Common dividends paid	23.2	24.9	▲
Share repurchases	38.2	38.4	▲

Note: CH is Calendar Half Year

Source: Deloitte Analysis

Analysis of the TMT constituents of the S&P Global 1200 index shows they have managed to increase their cash reserves and are sitting on $650 billion worth of cash. In addition, their revenues have increased, but there has been a decrease in capital expenditure and only a moderate increase in R&D expenditure.

In 2016 consolidation was a key theme in this sector. Looking ahead, there is still scope for more consolidation and this in turn could lead to divestments as companies try to recalibrate their portfolios to acquire regulatory approvals.

Companies across all the other industrial sectors are looking towards the technology sector to accelerate their own transformations. This means opportunities for technology companies have broadened considerably.

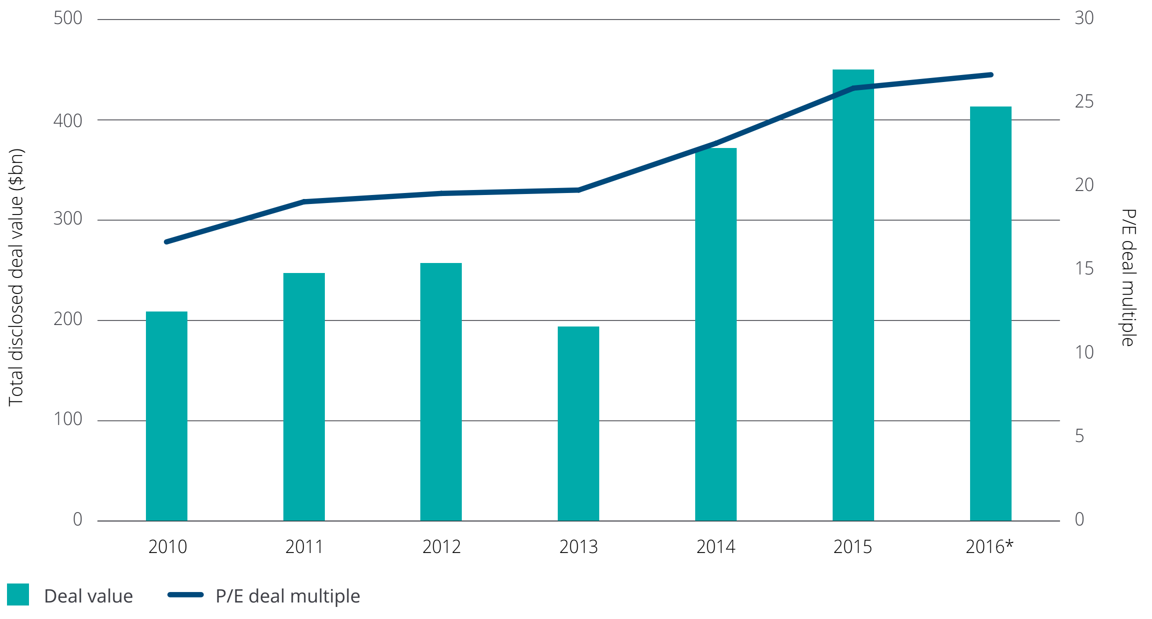
They have been making significant investments in technologies such as AI, Robotics, IoT and Cognitive Computing, among others, allowing them to offer the backbone platform for other sectors and also tap into the opportunities arising from technological convergence across sectors.


75747
R 210.3
75746
R 210.3
R 210.3

Manufacturing

In 2016, manufacturing sector companies announced $413 billion worth of deals, nearly matching the $450 billion worth of deals announced in 2015. In addition the manufacturing sector had five $10 billion plus mega-deals in 2016 worth $147 billion, higher than the $114 billion announced in 2015.

Figure 1: Global disclosed deal values for manufacturing as a target ($bn), 2010-2016



Europe was the only major target region that performed better in 2016 than in 2015. Deal values were up to $100 billion from $88 billion in 2015. This was largely due to an increase in inbound cross-border M&A.

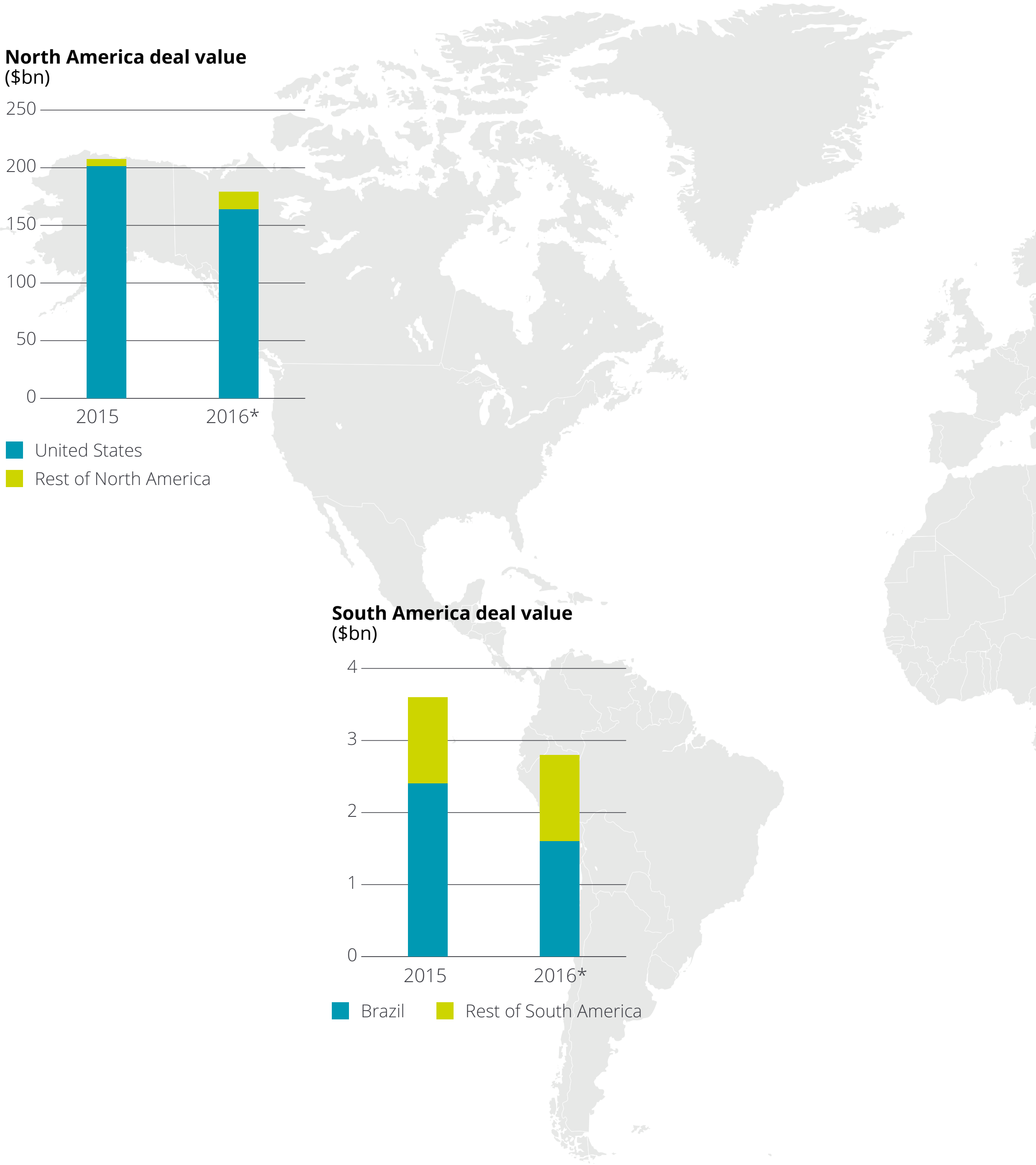
The US, with $164 billion in deals, remained the most active market in 2016, followed by China, with $75 billion.

The average deal P/E multiple continued to rise and currently stands at 26.7 in 2016, the highest it has been for many years.

Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

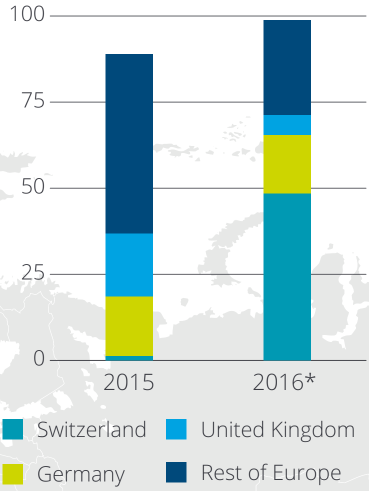
Figure 2: Manufacturing deals by target region (2015 vs 2016)



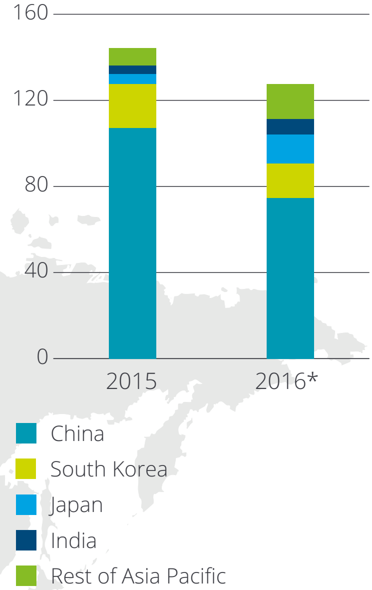
Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

Europe deal value
($bn)



Asia Pacific deal value
($bn)



Middle East & Africa deal value
($bn)

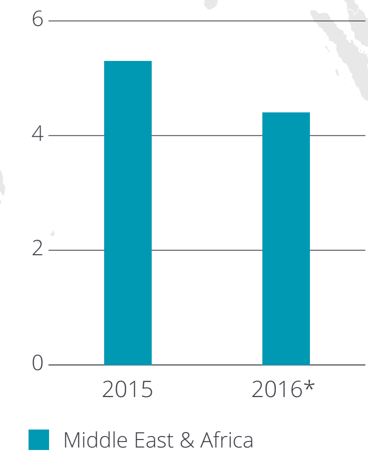
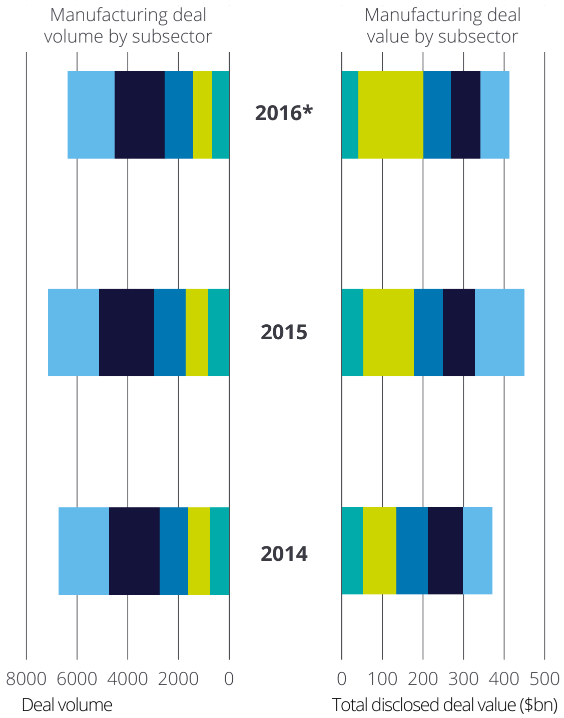


Figure 3: Manufacturing deals by target subsector (2014-2016)



Overall there was a slowdown both in volumes and values from 2015. However, some sub-sectors, such as building & construction and machinery, held up well. Chemicals was a bright spot. This sector announced $161 billion worth of deals in 2016, surpassing the $124 billion announced in 2015.

The manufacturing sector announced $215 billion worth of cross-border deals, an increase of 67 per cent over 2015.

China was one of the most active acquirers. Outbound investment from China was the highest for over a decade, with $57 billion worth of deals announced in 2016.

The US received $108 billion worth of cross-border investments, treble the $31.2 billion worth of deals announced in 2015.

"The manufacturing sector announced $215 billion worth of cross-border deals."

Cross-Border Deals received (2016)	
Country	**Deal value ($mn)**
United States	107,566
Switzerland	47,925
Germany	12,505
Luxembourg	3,494
Taiwan	3,276
Total	**214,965**

Cross-Border Acquirers (2016)	
Country	**Deal value ($mn)**
Germany	67,646
China	56,931
Ireland-Rep	22,660
United States	17,407
Japan	11,264
Total	**214,965**

Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

Figure 4: Financial performance of the S&P Global 1200 Industrials Index constituents

Figures in $bn	CH1 2015	CH1 2016	
Cash & ST Investments	279.8	269.6	▼
Total Debt	1114.9	1014.3	▼

Figures in $bn	CH1 2015	CH1 2016	
Total Revenues	1125.4	1134.9	▲
Cash spent on M&A	6.5	19.6	▲
Capital expenditure	56.7	55.6	▼
R&D expense	17.4	18.5	▲
Common dividends paid	43.9	42.2	▼
Share repurchases	41	56.8	▲

Note: CH is Calendar Half Year

Source: Deloitte Analysis

Analysis of the manufacturing constituents of the S&P Global 1200 index shows there has been a reduction in both cash reserves and debt. On the other hand there has been an increase in revenues and the cash spent on M&A.

Manufacturing M&A was dominated by large-scale consolidation deals and it is likely many of these deals will result in divestment of non-core assets in the coming months. Looking ahead, the emergence of additive technologies, smarter products and Internet of Things offers opportunity for this sector to reinvent traditional product categories. This is especially true in the automation sector, where the future of mobility is being redefined between auto manufacturers, telecoms and technology companies.

Companies in this sector have been acquiring innovative technology assets and are likely to continue doing so in 2017.

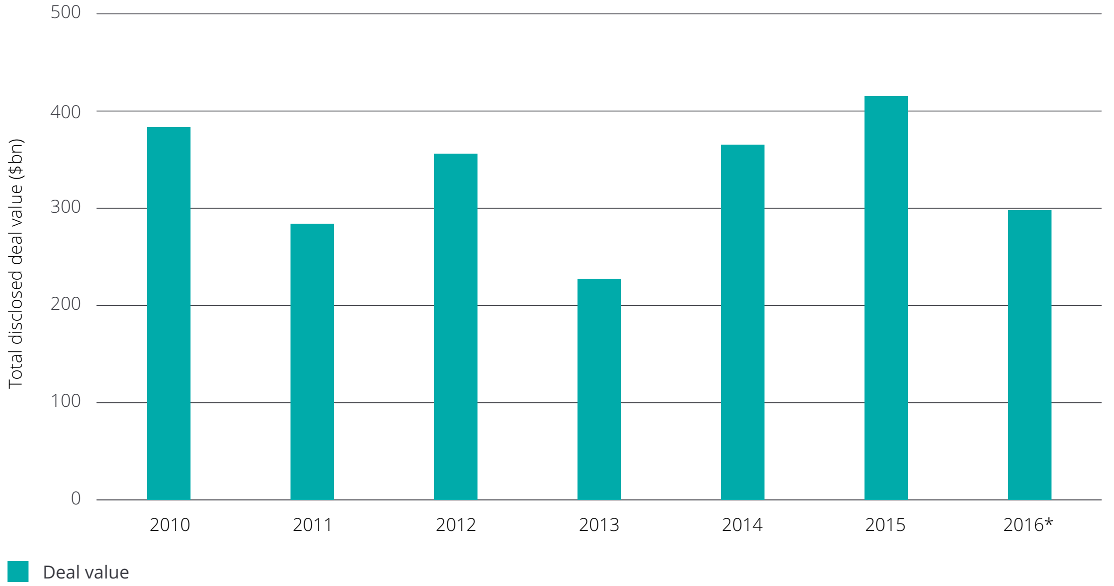
"Manufacturing M&A was dominated by large-scale consolidation deals and it is likely many of these deals will result in divestment of non-core assets in the coming months."


431,522,000
+8.33
5,221,600
+2.63
3.9
0
0.00
0
14,400
29
0.00
24,300
-0.45
4.44
5,600
484
+1.00
2.02
6,400
-0.77
64.5
+1.46

Financial Services

In 2016, the financial services sector announced around $298 billion worth of deals, lower than the $415 billion in 2015.

Figure 1: Global disclosed deal values for Financial Services as a target ($bn), 2010-2016



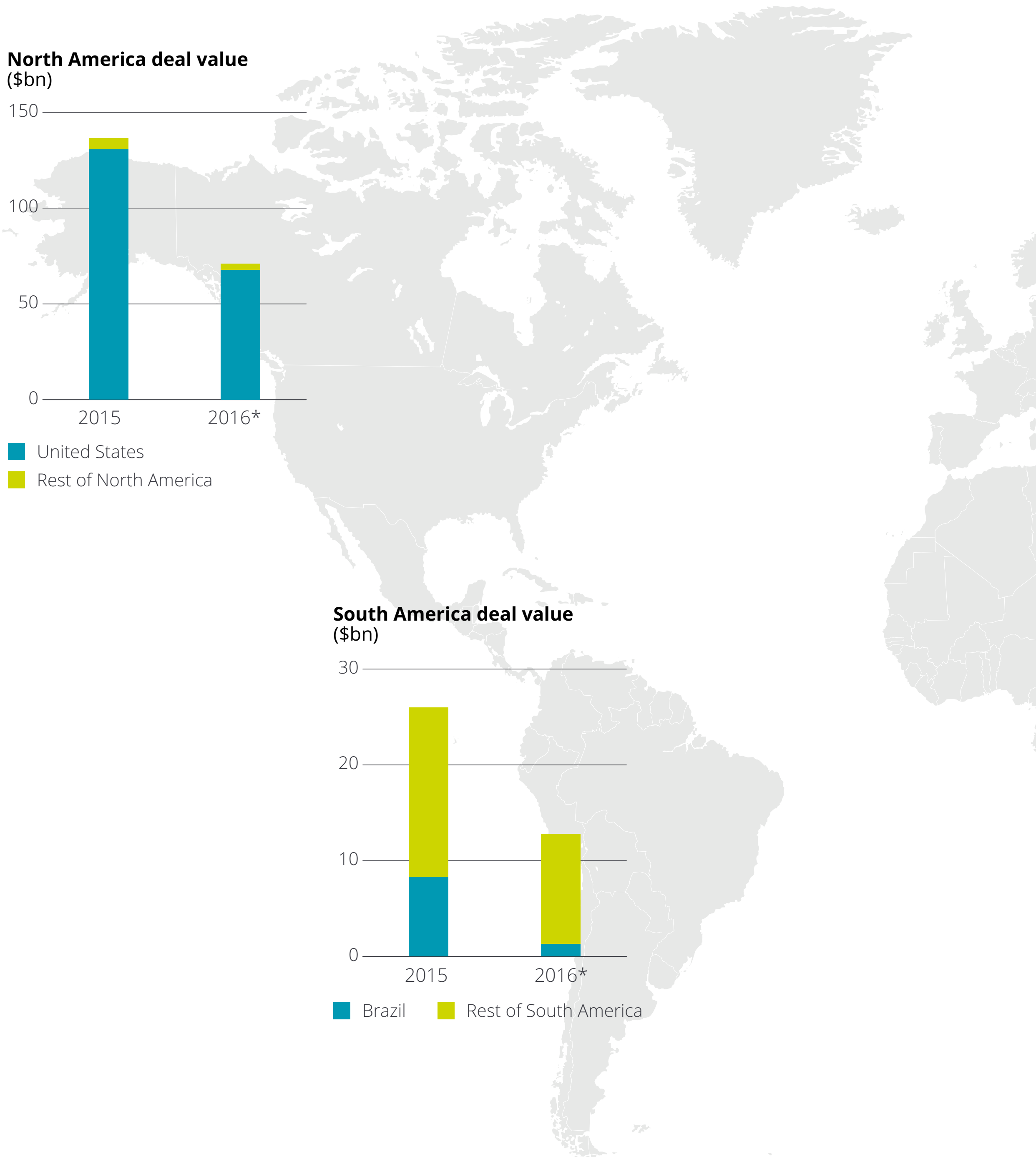
In 2016, the banking sector announced $103 billion worth of deals, compared to $149 billion in 2015, and the insurance sector $43 billion worth, much lower than the $104 billion in 2015.

The US market announced $68 billion worth of deals, almost half the $130 billion of 2015. By contrast, the European market held up well. There was strong growth in France and Italy, but a weaker market in the UK.

Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

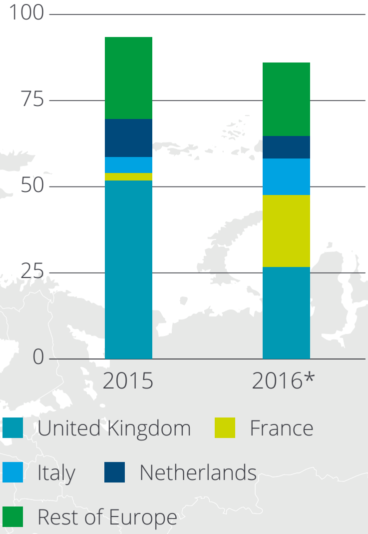
Figure 2: Financial Services deals by target region (2015 vs 2016)



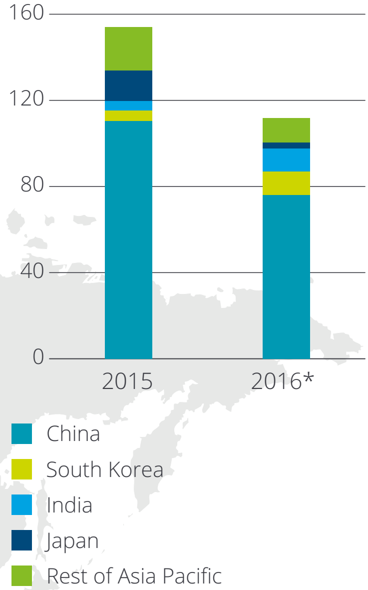
Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

Europe deal value
($bn)



Asia Pacific deal value
($bn)



Middle East & Africa deal value
($bn)

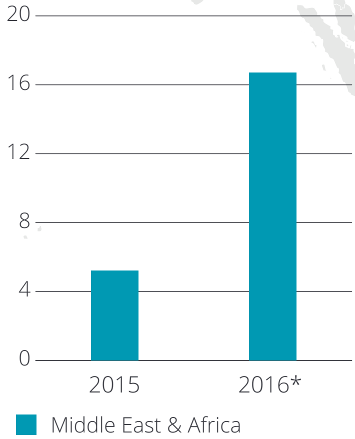
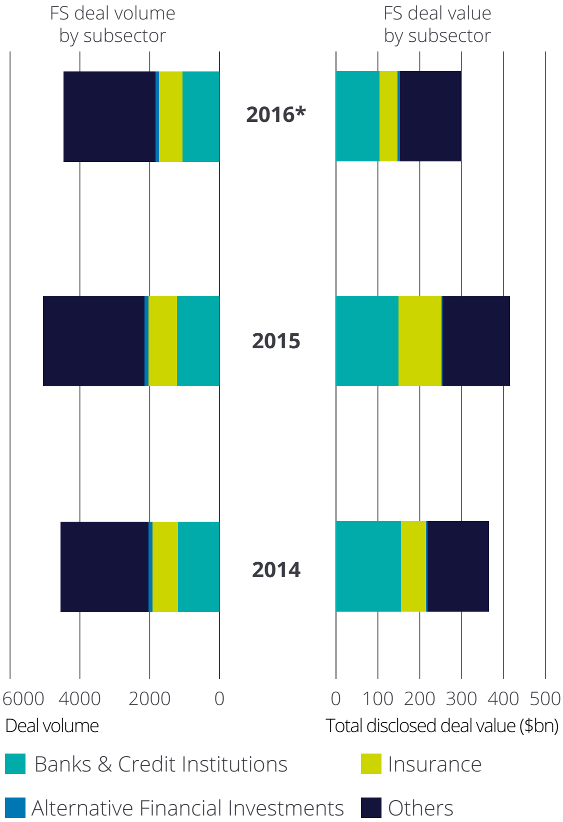


Figure 3: Financial Services deals by target subsector (2014-2016)



While both volumes and values declined in 2016, volumes held up relatively well.

There were $89.6 billion worth of cross-border deals announced in 2016, less than half the $190 billion in 2015.

The UK, followed by the US, received the most inbound investment, while Germany and the US were among the leading cross-border acquiring nations.

"There were $89.6 billion worth of cross-border deals announced in 2016, less than half the $190 billion in 2015."

Cross-Border Deals received (2016)	
Country	**Deal value ($mn)**
United Kingdom	21,425
United States	19,842
Bermuda	9,451
Norway	4,595
Italy	4,288
Total	**89,563**

Cross-Border Acquirers (2016)	
Country	**Deal value ($mn)**
Germany	13,999
United States	11,164
China	8,846
Canada	8,299
Japan	7,978
Total	**89,563**

Note: 2016 figures are as on 7th December 2016*

Source: Deloitte Analysis

Analysis of the financial services constituents of the S&P Global 1200 index shows that revenues are holding steady while the cash spent on M&A is up significantly.

On both sides of the Atlantic, policy uncertainties are affecting the financial services sector, and particularly London as a financial services hub. It is possible that M&A may pause initially until greater clarity about the coming regulatory landscape emerges, potentially prompting a rethink of business strategy. The pressure on capital requirements means that banks are likely to continue pursuing divestments to shed non-core businesses that do not generate a sufficient return on investment.

Technological advances, ranging from crypto-currencies to AI and robotics, are having a major impact on financial services. In response, this sector has been investing heavily in new technologies and service models. In addition to challenger banks, financial services companies are facing market threats in specific customer segments from non-traditional competitors in other sectors such as technology, retail and health. For instance, Samsung acquired LoopPay[30] in order to develop and launch SamsungPay, an embedded mobile payments solution.

It is possible we might see more collaboration across these sectors as companies start to develop new service models to target consumers.

> "Technological advances, ranging from crypto-currencies to AI and robotics, are having a major impact on financial services. In response, this sector has been investing heavily in new technologies and service models."

Figure 4: Financial performance of the S&P Global 1200 Financials Index constituents

Figures in $bn	CH1 2015	CH1 2016	
Total Revenues	1748.8	1749.5	▲
Cash spent on M&A	7.4	71.6	▲
Common dividends paid	76.4	86.5	▲
Share repurchases	70.7	72.9	▲

Note: CH is Calendar Half Year

Source: Deloitte Analysis

Appendix

1. Deal criteria for M&A data from Thomson One Banker
    a. Pending and completed deals are considered
    b. The deals considered are majority stake acquisitions, minority stake acquisitions, leveraged buyouts
    c. 2016 figures are as on 7th December 2016
    d. The industry classification are based on the Deloitte industry classification
2. Deal criteria for divestments from Mergermarket
    a. Divestments which are announced (excluding lapsed/withdrawn bids) were considered
    b. 2016 figures are as on 9th December 2016
    c. Short term average returns of seller, seller index, acquirer and acquirer index is the change in share price during 7 days (+/- 3 days from the announcement date). The performance is calculated for the deals which have the disclosed deal value of $500 million and above
    d. One year average return of seller, seller index, acquirer and acquirer index is calculated by considering the change in share price one month prior to the date of the announcement till one year post the announcement of the divestment. The performance is calculated for the deals which have the disclosed deal value of $500 million and above
    e. Divestments by seller industry chart includes the deals which have the disclosed deal value of $500mn and above
    f. Industry classification is based on the Deloitte industry classification
3. Disruptive innovation related M&A includes 1) VC Exits (corporates as acquirers); 2) Pre-venture M&A deals (self-funded startups M&A) and 3) Billion dollar M&A deals whose deal rationale is disruptive in nature
4. Active CVC: CVC participated in at least one investment round in the respective year
5. Digital and Social includes AdTech, AgTech, E-commerce, EdTech, HealthTech & Virtual Reality companies
6. Innovation data for 2016 is as on 22nd November 2016 based on data sourced from Pitchbook
7. Deloitte Shift Index https://www2.deloitte.com/us/en/pages/center-for-the-edge/topics/deloitte-shift-index-series.html
8. Wood Mackenzie's global corporate outlook for 2017 https://www.woodmac.com/media-centre/12534118
9. Deloitte M&A trends report 2016 https://www2.deloitte.com/us/en/pages/mergers-and-acquisitions/articles/ma-trends-report.html
10. Bloomberg
11. Capital IQ
12. World Bank http://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?end=2015&start=1997&view=chart
13. Divestments: Creating shareholder value https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/corporate-finance/deloitte-uk-ma-upfront-in-brief-divestments.pdf
14. SoftBank Group Corp.'s acquisition of ARM Holdings http://www.softbank.jp/en/corp/news/press/sb/2016/20160718_01/
15. Honeywell's acquisition of Elster https://www.honeywell.com/newsroom/pressreleases/2015/07/honeywell-to-acquire-elster-a-global-leader-in-gas-heating-controls-metering-and-advanced-technologies; https://www.honeywellprocess.com/en-US/news-and-events/Pages/pr-06-10-2016-honeywell-launches-iiot-ready-gas-measurement-data-management-solutions.aspx

16. Thalmic Labs raised $120m in venture capital from Amazon, Intel and others https://www.bloomberg.com/news/articles/2016-09-19/amazon-intel-invest-in-gesture-control-startup-thalmic-labs; https://www.thalmic.com/press

17. GM's acquisition of Cruise Automation http://media.gm.com/media/us/en/gm/news.detail.html/content/Pages/news/us/en/2016/mar/0311-cruise.html

18. ClearPath Robotics raised $30 million from venture capital funds that included Caterpillar and GE https://www.clearpathrobotics.com/2016/10/clearpath-robotics-raises-30m-expand-indoor-self-driving-vehicle-market/

19. Twitter's acquisition of Magic Pony https://blog.twitter.com/2016/increasing-our-investment-in-machine-learning

20. Dalian Wanda Group's investment in SenseTime http://www.globalcorporateventuring.com/article.php/15684/sensetime-speeds-to-120m?tag_id=562

21. CNN's acquisition of Beme https://www.nytimes.com/2016/11/28/technology/cnn-brings-in-the-social-app-beme-to-cultivate-a-millennial-audience.html?_r=0

22. Telenor's acquisition of Tapad https://www.telenor.com/media/press-releases/2016/telenor-to-acquire-marketing-technology-firm-tapad/

23. Singtel's investment in ShopSpot http://innov8.singtel.com/news.html

24. eBay's acquisition of SalesPredict https://www.ebayinc.com/stories/news/ebay-acquires-salespredict/

25. Acacia Research Corp. investment into Veritone http://acaciaresearch.com/wp-content/uploads/2016/08/082316-Veritone_Acacia.pdf

26. Amazon's acquisition of Emvantage Payments http://www.amazon.in/b?ie=UTF8&node=8520697031

27. Baidu's investment in ZestFinance, Circle http://www.businesswire.com/news/home/20160717005040/en/ZestFinance-Receives-Funding-Baidu-Fuel-Development-Search-Based; https://blog.circle.com/2016/06/22/circles-new-capital-china-and-euro-expansion/

28. Metro Group's investment in Orderbird https://www.metrogroup.de/en/media/press-releases/2016/05/11/metro-group-acquires-a-stake-in-orderbird-a-leading-ipad-based-pos-system-for-restaurants

29. Orange's majority stake acquisition in Groupama Banque https://www.orange.com/en/Press-Room/press-releases-2017/press-releases-2016/Orange-to-acquire-a-65-stake-in-Groupama-Banque-which-will-become-Orange-Bank

30. Samsung's acquisition of LoopPay https://www.looppay.com/wp-content/uploads/2015-02-18_Samsung_LoopPay.pdf

31. Google's acquisition of IP assets from Softcard https://www.bloomberg.com/news/articles/2015-02-23/google-buys-softcard-s-technology-gets-deal-with-u-s-carriers

32. Intel Capital's investment in iZettle http://www.intelcapital.com/portfolio/company.html?id=18949

33. Arvato's acquisition of AfterPay https://www.arvato.com/finance/en/about/press-releases/2014/arvato-financial-solutions-acquires-dutch-pay-after-delivery-pay.html

34. Go-Jek's acquisition of PonselPay http://www.business-standard.com/article/companies/indonesia-s-go-jek-acquires-payments-start-up-to-get-around-e-money-license-issue-116102500609_1.html

35. Nestlé's acquisition of Pamlab http://www.nestle.com/media/newsandfeatures/nhsc-acquires-pamlab

36. Under Armour's acquisition of Endomondo and MyFitnessPal http://investor.underarmour.com/releasedetail.cfm?ReleaseID=894685
37. Adidas' acquisition of Runtastic http://www.adidas-group.com/en/media/news-archive/press-releases/2015/adidas-group-acquires-runtastic/
38. Mattel's acquisition of Sproutling http://sproutling.com/; http://www.mobihealthnews.com/content/mattel-acquires-baby-health-wearable-maker-sproutling
39. Select Comfort's acquisition of BAM Labs http://bamlabs.com/select-comfort-acquires-bam-labs/
40. AXA Strategic Ventures' investment in BioBeats http://www.axastrategicventures.com/assets/back/uploads/companies/Biobeats_AXASV_VA_(FinalApril).pdf
41. Fitbit's acquisition of Coin https://investor.fitbit.com/press/press-releases/press-release-details/2016/Fitbit-Inc-Acquires-Wearable-Payments-Assets-From-Financial-Technology-Company-Coin/default.aspx
42. Nokia's acquisition of Withings http://www.nokia.com/en_int/news/releases/2016/05/31/nokia-completes-the-acquisition-of-withings
43. Alphabet's investment in Oscar http://blogs.wsj.com/digits/2015/09/15/google-bets-on-insurance-startup-oscar-health/; https://www.capitalg.com/company/oscar/
44. Target's acquisition of Powered Analytics http://www.bizjournals.com/pittsburgh/blog/techflash/2014/11/pittsburgh-based-powered-analytics-acquired-by.html
45. Disney's incubation of Sphero http://www.businesswire.com/news/home/20150127006384/en/Walt-Disney-Company-Announces-Startup-Accelerator-Program; http://www.sphero.com/about
46. British Gas' acquisition of AlertMe https://www.britishgas.co.uk/media/releases/ReleaseDetailPage.aspx?releaseId=1291
47. Apollo Tyre's acquisition of Reifen.com http://www.apollovredestein.com/nieuws/940/apollo-tyres-takes-over-reifen-com
48. Invesco's acquisition of Jemstep http://www.prnewswire.com/news-releases/invesco-acquires-jemstep-a-market-leading-provider-of-advisor-focused-digital-solutions-300202958.html
49. Rakuten Ventures' investment in ViSenze https://www.visenze.com/company/press-releases/visenze-series-b
50. Etsy's acquisition of Blackbird https://investors.etsy.com/phoenix.zhtml?c=253952&p=irol-newsArticle&ID=2204526
51. Airbus' investment in Local Motors http://www.airbusgroup.com/int/en/news-media/commercial-drones.html; https://localmotors.com/posts/2016/08/airbus-ventures-invests-local-motors-shake-aerospace-industry/; http://www.airbusventures.vc/
52. Harry's acquisition of Feintechnik https://dealbook.nytimes.com/2014/01/21/a-start-up-run-by-friends-takes-on-shaving-giants/?_r=1
53. Midea's acquisition of Kuka https://www.wsj.com/articles/chinas-midea-group-announces-bid-for-germanys-kuka-1463556160; https://www.kuka.com/en-de/investor-relations/takeover-offer-midea-mecca
54. Autodesk's acquisition of netfabb https://spark.autodesk.com/blog/autodesk-signs-agreement-acquire-netfabb-and-enter-strategic-partnership-fit-ag
55. Ikea's investment in DyeCoo Textile Systems http://www.ikea.com/ca/en/about_ikea/newsitem/waterless_dye

56. GE's and BMW's investment in Carbon http://www.carbon3d.com/news/carbon-announces-new-funding-from-global-strategic-investors-and-international-expansion-to-europe-japan-and-other-asian-markets/

57. Tesla's acquisition of SolarCity https://www.tesla.com/blog/tesla-and-solarcity

58. Continental's acquisition of Elektrobit http://www.continental-corporation.com/www/pressportal_com_en/themes/press_releases/2_corporation/acquisitions_jointventures/pr-2015-07-01-elektrobit-en.html

59. Ford's acquisition of SAIPS https://media.ford.com/content/fordmedia/fna/us/en/news/2016/08/16/ford-targets-fully-autonomous-vehicle-for-ride-sharing-in-2021.html

60. GM's acquisition of Cruise Automation http://media.gm.com/media/us/en/gm/news.detail.html/content/Pages/news/us/en/2016/mar/0311-cruise.html

61. BMW's investment in Parkmobile http://www.parkmobile.co.uk/news/bmw_group_expands_footprint_of_bmw_i_premium_parking_service_parknow_with_investment_in_parkmobile

62. Ping An Ventures' investment in Bochewang https://www.cbinsights.com/blog/insurers-tech-startup-investing-2016/

63. Volvo's partnership with Ericsson https://www.media.volvocars.com/global/en-gb/media/pressreleases/172080/volvo-cars-and-ericsson-developing-intelligent-media-streaming-for-self-driving-cars

64. Vodafone's acquisition of Cobra Automotive http://www.vodafone.com/business/iot/vodafone-completes-acquisition-of-cobra-automotive-technologies-2014-06-18

65. Verizon's acquisition of Telogis and Fleetmatics https://www.telogis.com/press-releases/verizon-acquisition-telogis; https://www.fleetmatics.com/news/verizon-to-acquire-fleetmatics

66. Apple's investment in Didi http://www.prnewswire.com/news-releases/didi-chuxing-announces-progress-in-current-fundraising-round-300268199.html

67. GM's investment in Lyft http://media.gm.com/media/us/en/gm/home.detail.html/content/Pages/news/us/en/2016/Jan/0104-lyft.html

68. Samsung's acquisition of Harman https://news.samsung.com/global/samsung-electronics-to-acquire-harman-accelerating-growth-in-automotive-and-connected-technologies

69. AT&T and Time Warner deal was the largest M&A transaction of 2016. http://money.cnn.com/2017/02/15/media/time-warner-shareholders-att-merger/

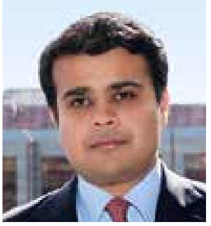
70. Economic Policy Uncertainty (http://www.policyuncertainty.com/)

We would like to thank Haranath Sriyapureddy and Sukeerth Thodimaladinna for research and analysis; Jo Brealey, Alexandra Manning and Natasha Evans for driving client engagement and marketing; Ian Campbell for Editorial support; and the Deloitte Creative Studio team for the design and production of the M&A Index.

Contacts

Iain Macmillan
Managing Director –
Global M&A Services

+44 (0)20 7007 2975
imacmillan@deloitte.co.uk



Sriram Prakash
Global Lead, M&A Insights

+44 (0) 20 7303 3155
sprakash@deloitte.co.uk

Deloitte.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000
Fax: +44 (0) 20 7583 1198.

Designed and produced by The Creative Studio at Deloitte, London. J10516