



# Deal Making 2016

Surprises left in store

# Deal Making 2016: Surprises left in store

Following the most prolific annual period for worldwide [deal making](#) in history would not be an easy task. In a year that started out with a looming event calendar – a referendum on the European Union in the United Kingdom and a presidential election in the United States, potential economic headwinds were widely expected to affect the pace of merger activity.

Those that predicted the top of the M&A cycle last year were technically correct, as the value of deal making activity declined in all regions and nearly every sector during full year 2016, but the year in deals turned out to be just as unexpected as the results of that looming calendar.

## Key Points

### Worldwide deal making falls 16%, number of deals up 1%

- Worldwide M&A activity totaled US\$3.7 trillion during 2016, a 16% decrease from 2015 levels.
- Just over 100 deals with a value greater than \$5 billion were announced during 2016, their combined value down 30% compared to a year ago.
- Overall, 46,055 worldwide deals were announced during 2016, a 1% increase compared to last year.

### Deal making rose 50% during fourth quarter

- The value of worldwide M&A announced during the fourth quarter of 2016 totaled US\$1.2 trillion, an increase of 50% compared to the third quarter of this year.
- Seven of the top 10 deals announced during 2016 were announced during the fourth quarter.

### United States M&A falls 17%; Asia Pacific deals down 22%

- US M&A activity targets totaled US\$1.7 trillion during 2016, a decrease of 17% compared to 2015 activity.
- With US\$896.3 billion in announced deals during 2016, Asia Pacific M&A fell 22% compared to 2015.

# Values decline, but deals see gains

Worldwide deal making totaled \$3.7 trillion during 2016, a decrease of 16% compared to full year 2015 and the third largest annual period for merger activity since records began in 1980. A look back across historical deal cycles illustrates a span of seven or eight years in between deal making peaks. At the turn of the century, two of the all-time largest quarters for deal making kicked off the modern era of deal making, with records broken in following peak years of 2007 and 2015.



**2016**  
Deal making =  
**\$3.7 trillion**



**2015**  
Deal making =  
**\$4.3 trillion**

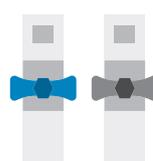
“A look back across historical deal cycles illustrates a span of seven or eight years in between deal making peaks.”

The first quarter of 2016 was closely watched for and finished with decline of 47% decline compared to the fourth quarter of 2015. However, to the surprise of many deal makers, the number of deals fell by just 6%. While the year of the “mega-deal” was assumed to be over, healthy levels of deal activity were occurring in the mid-market across a number of regions and sectors. And while full year deal making registered a double-digit percentage decline from last year’s all-time record value, for the first-time ever, the number of announced deals increased in the face of declining deal values.

**Announced deals  
increased in the  
face of declining  
deal values**



“While the year of the “mega-deal” was assumed to be over, healthy levels of deal activity were occurring in the mid-market across a number of regions and sectors”



<b>Date</b>	10/22/16	05/23/16	10/21/16	11/21/16	02/03/16
<b>Target Name</b>	Time Warner Inc	Monsanto Co	Reynolds American Inc	Energy Transfer Partners LP	Syngenta AG
<b>Target Nation</b>	United States	United States	United States	United States	United States
<b>Acquiror Name</b>	AT&T Inc	Bayer AG	British American Tobacco PLC	Sunoco Logistics Partners LP	CNAC Saturn (NL) BV
<b>Acquiror Nation</b>	United States	Germany	United Kingdom	United States	Netherlands
<b>Value (\$mil)</b>	107,501.0	63,874.0	57,757.5	51,425.7	46,596.5
<b>Target Macro Industry</b>	Media and Entertainment	Materials	Consumer Staples	Energy and Power	Materials
<b>Target Mid Industry</b>	Motion Pictures / Audio Visual	Chemicals	Tobacco	Oil & Gas	Chemicals

Deals greater than US\$5 billion totaled \$1.40 trillion, down 30% compared to a year ago; while deals under US\$1 billion totaled \$1.24 trillion, a 7% decrease compared to 2015. By number of deals, activity below \$500 million increased by 1.1%, while activity over \$10 billion decreased 41% compared to a year ago.

Every major region saw year-over-year M&A value declines during 2016, with the United States, Asia Pacific and Japan each surpassing 2015 levels, by number of deals. European M&A totaled \$756.5 billion, a 13% decrease compared to a year ago and the slowest

annual period for M&A in Europe since 2013. Africa/Middle East M&A declined by just 0.8% compared to a year ago, bolstered by the \$14.1 billion combination of First Gulf Bank and National Bank of Abu Dhabi in the United Arab Emirates, the third-largest deal on record in the region.

**Deals greater than US\$5 Billion totaled & \$1.40 Trillion – Down 30% compared to 2015**



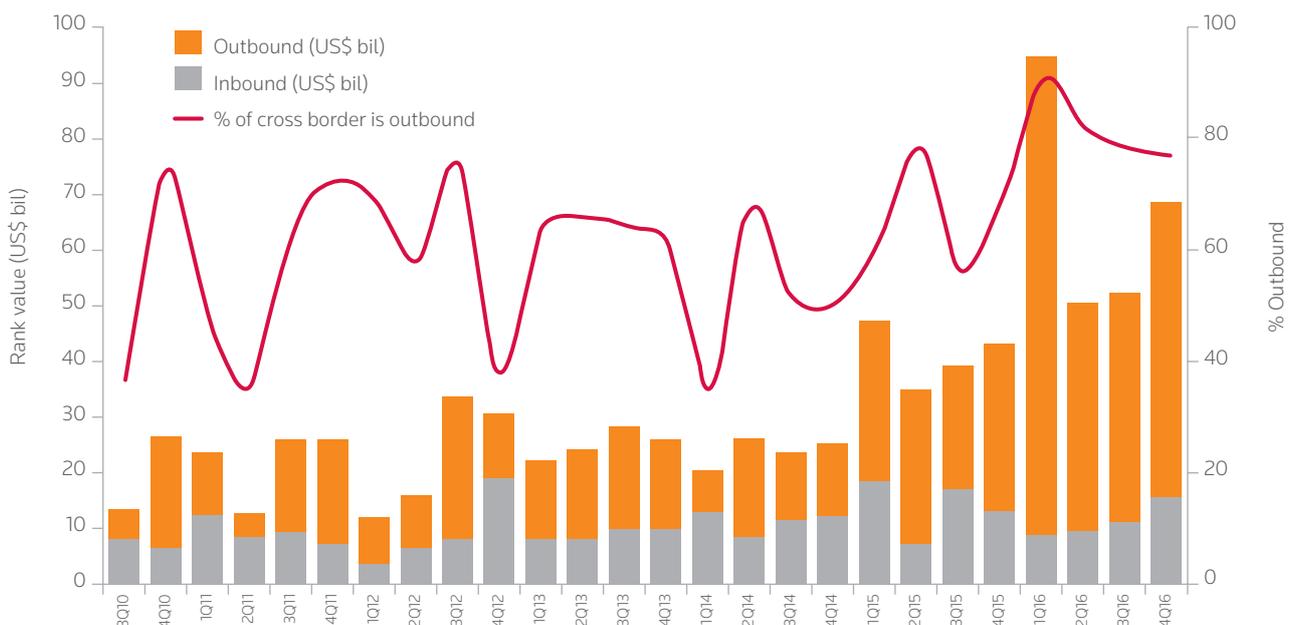
# China buying spree

For the last decade, Chinese buyers have been searching the globe for investments outside of China, generally in financials or energy & power, but ChemChina's \$46.6 billion bid for Swiss chemical giant Syngenta in February paved the way for a diverse set of deals which would go on to shatter the all-time record for outbound China M&A. By year's end, Chinese buyers would announce deals valued at \$221.9 billion, more than double the previous record set in 2015. Deal making in technology, media and industrials would continue throughout the year, ushering in domestic banks such as China CITIC Bank, China International Capital and Industrial & Commercial Bank of China, into the ranks of global advisory work.

China outbound activity in 2016 doubled from 2015 – US\$220.9 billion from 906 deals, 45% increase in transactions number.



## China cross border announced M&A



# Referendum on deal making?



Post-Brexit UK Domestic M&A at Lowest Level in 30 years.

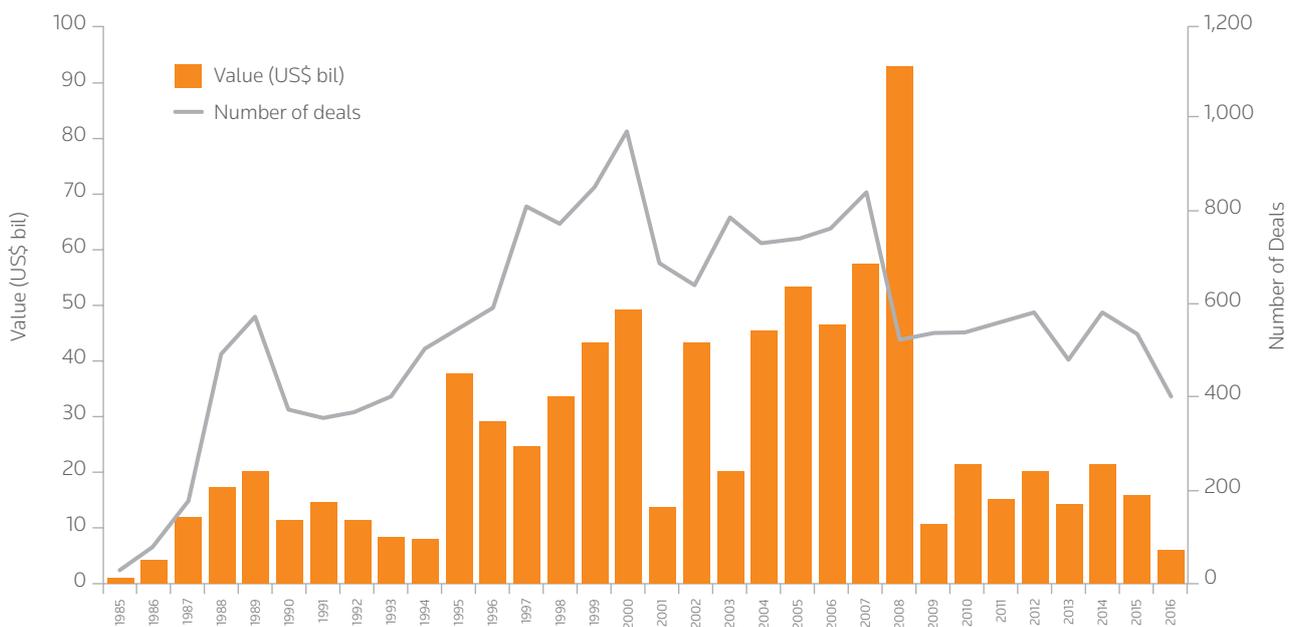


The June EU referendum in the United Kingdom introduced a unique level of uncertainty for UK-related deal making and dampened first half activity, which fell 55% compared to the first half of 2015 and accounted for just 7% of worldwide deal activity, an all-time low.

The surprise results of the vote temporarily shook markets, but within a month Japan’s SoftBank announced a \$30.8 billion bid for

ARM Holdings starting a resurgence in UK Involvement M&A activity that would place the fourth quarter among the largest of all-time. British American Tobacco’s \$57.8 billion offer to buy US-rival Reynolds American and 21st Century Fox’s \$22.9 billion buyout of a remaining stake in the UK’s Sky Plc pushed second half deal making to \$280.4 billion, more than double first half levels.

## Announced UK domestic M&A post-Brexit period (June 24 - November 7)



# In the face of an election, more records, 17,146 announced deals.

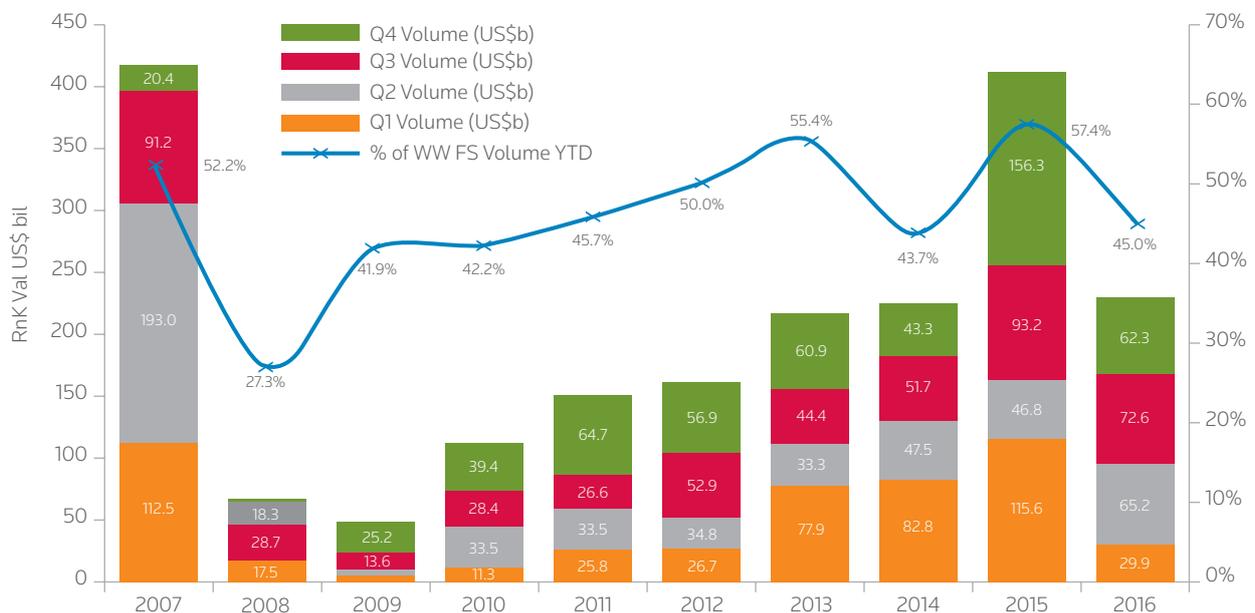
The post-financial crisis M&A cycle kicked off during the first quarter of 2014 when a wave of consolidation hit the US pharmaceutical sector and US companies have been at the forefront of many of the largest deals struck over the past three years. In the face of one of the most contentious US presidential elections in memory and uncertainty over which major party would control the White House or the Congress, US deal making was muted, until October.

With just about three weeks before Election Day, AT&T launched a \$107.5 billion bid for Time Warner, pushing October M&A levels to nearly \$400 billion, the largest all-time month on record. In fact, five of the year's top 10 deals were announced in October and all involved a target based in the United States.

United States inbound cross-border M&A totaled \$524.3 billion, a 19% increase by value and an all-time annual record. Nearly 2,500 deals involving a foreign buyer in the United States were announced during 2016, a 28% increase compared to a year ago. Buyers in Canada, Germany, the United Kingdom and China accounted for nearly two-thirds of US inbound M&A activity in 2016.

Americas M&A volume during 2016 decreased 12.8% from comparable 2015 levels.

## US buyside financial sponsor activity (any buyside financial sponsor involvement)



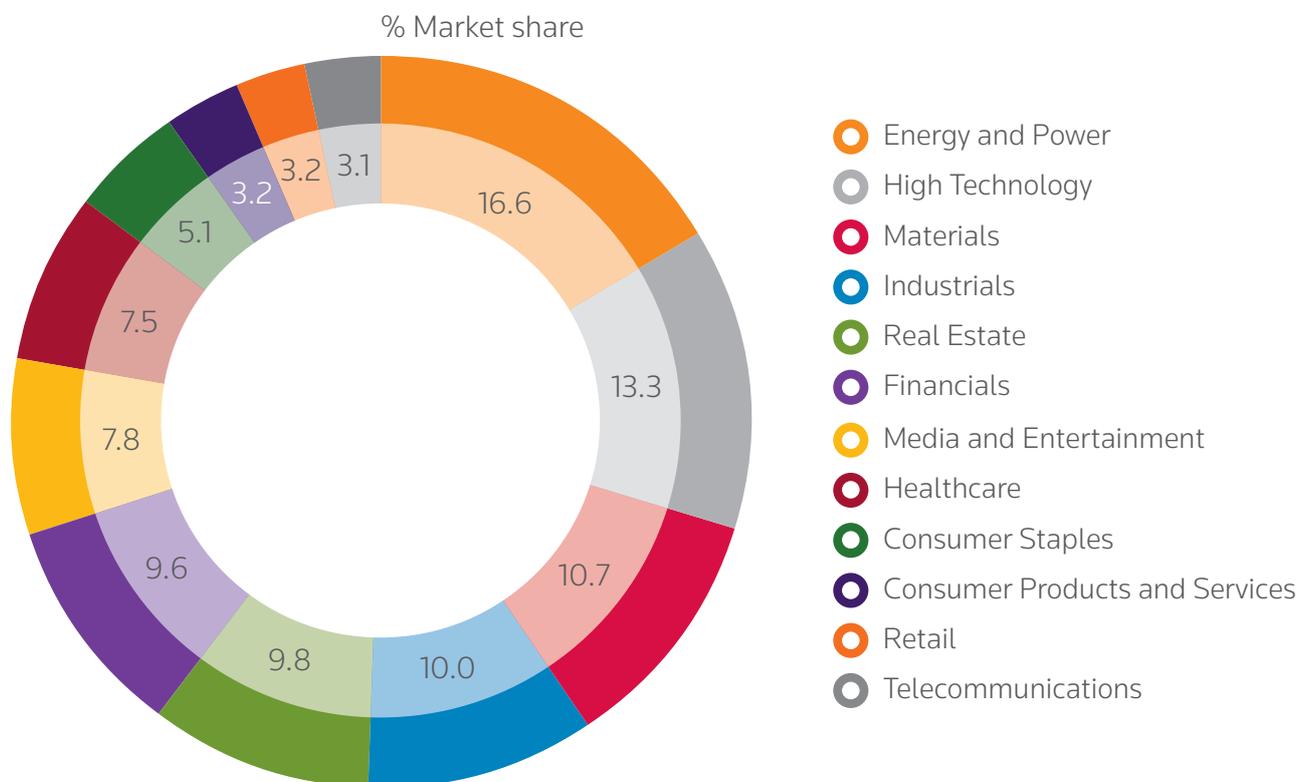
## Balanced mix of sectors

The year's phenomenon of declining deal values contrasted with rising deal numbers was most apparent within specific sectors, with global retail M&A down 28% by value, up 7% by number, pharmaceutical deal making declining 57% by value, up 7% by number and food and beverage mergers falling 70% by value, up 2% by number.

Overall, deal making activity in the energy & power sector reached \$596.0 billion during

full year 2016, up 15% compared to 2015 levels and accounted for 17% of overall activity. M&A activity in the technology sector totaled \$482.3 billion so far this year, while materials and industrials account for 11% and 10% of worldwide merger activity during the year, respectively. Six of the 12 major industry sectors accounted for at least 10% of year-to-date M&A, the most balanced sector breakdown since records began in 1980.

### Worldwide announced M&A target industry by value



## Deals fall apart



Failed M&A bids hit \$804.8 billion during full year 2016, a 52% increase from 2015.



**Global Investment Banking Fees Total US\$85.0 billion; Slowest Annual Period for IB Fees since 2013**

Any record year for mergers & acquisitions is usually followed by a spike in withdrawn deals and 2016 was no exception. Deals come under scrutiny from regulators or shareholders, aggressive competitors out maneuver or savvy bankers mount a major defense strategy. Whatever the reason, failed M&A bids hit \$804.8 billion during full year 2016, a 52% increase compared to a year ago and the largest year for failed M&A deals since 2008. Over 1,000 deals were cancelled during the year, including Pfizer's \$191.5 billion offer for Allergan, Honeywell Internationals' \$102.5 billion approach for United Technologies and Energy Transfer's \$55.9 billion acquisition of The Williams Companies.

Withdrawn deals are carefully watched by the deal making community, as M&A advisors generally only collect a fee when the deal completes. During 2016, fees from completed mergers and acquisitions totaled an estimated \$26.7 billion, a decline of 3% compared to a year ago.

The top tier, bulge bracket firms saw their collective share of M&A fees remain at 48%, on par from full year 2015. Boutique and independent advisory firms cashed in on their industry expertise during 2016 accounting for 34% of overall advisory fees during 2016, an all-time high and illustrating the changed advisory landscape since 2000, when boutique advisory firms accounted for 13% of fees and the top tier advisors accounted for 63%.



REUTERS/Carlos Barria

## About the author



### Matthew Toole

Matthew Toole serves as director of Deals Intelligence within Thomson Reuters Advisory and Investment Management Division and is responsible for communicating broad M&A, capital markets, private equity and venture capital industry trends. Most recently, Toole was the director of Media Relations for Thomson Financial, focused on investment banking content. Prior to that role, Toole managed the group's capital markets content strategy and development. He earned his B.S. in Biology from Providence College.

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