

Global acquirers outperform the World Index

M&A – Quarterly Deal Performance Monitor: Q2 2017



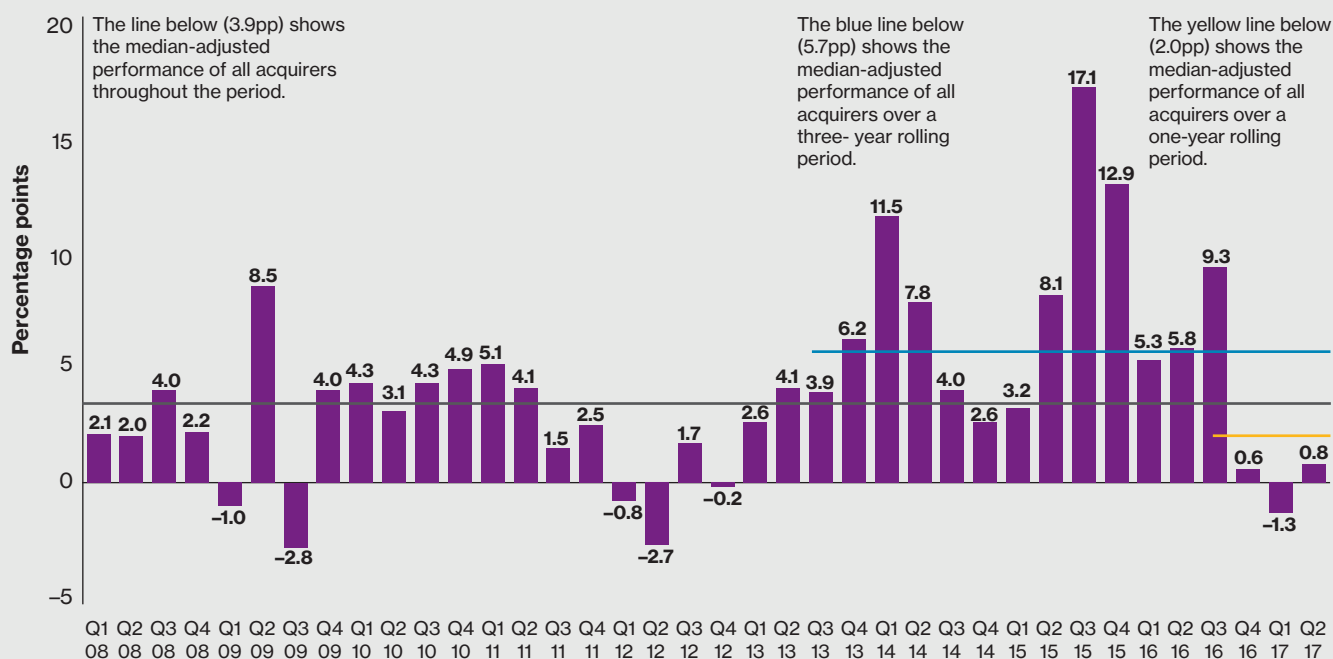
Global acquirers outperform the World Index in the second quarter of 2017

European M&A activity takes the top spot in the performance league at 4.3pp above the regional index.

The global M&A market performed in line with the index¹ in the second quarter of 2017, according to Willis Towers Watson's latest Quarterly Deal Performance Monitor (QDPM). While the three-year rolling average performance for global acquirers remains a healthy 5.7 percentage points (pp) above the index, performance in Q2 2017 improved by a more modest 0.8pp.

The research, run in partnership with Cass Business School, tracks the number of completed deals over \$100 million and the performance of the share price of the acquiring company against market indices. The latest results showed European acquirers to be the stand-out dealmakers during an otherwise muted second quarter.

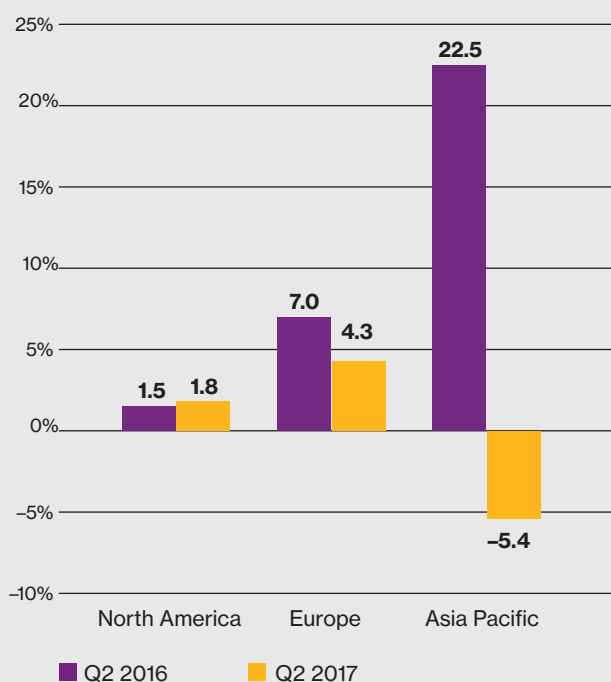
Figure 1. **M&A quarterly analysis of market performance, global sample**



Note: The share price returns have been adjusted to index returns over the corresponding period. The MSCI World Index is used as default, unless stated otherwise.

¹ MSCI World Index is used as default, unless stated otherwise.

Figure 2. M&A regional analysis of acquirer returns



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Acquirers in North America achieved a more limited increase in outperformance of 1.8pp, with 109 deals closing in Q2 2017. However, acquirers from Asia Pacific showed a sharp decrease from the previous quarter, with an all-time low underperformance of 5.4pp. In the three-year rolling analysis, Asia-Pacific acquirers are still in the top spot due to consistent over-performance in the last few years, 24.2pp above their regional index, followed by European and North American acquirers which have outperformed their regional indices over the same period by 5.7pp and 1.3pp, respectively.

Following a slow start in the number of deals closed in the first half of the year, acquirers of the 215 deals completed in Q2 2017² outperformed the market for almost all deal types, reflecting the market's performance in the corresponding quarter of 2016. However, there was a marked decline in the volume of mega deals (worth more than \$10 billion), compared to the same quarter in 2016, with only three completed in this category.

“Europe dealmakers have successfully bucked the global trend, perhaps driven by upbeat economic and stock market conditions. The contrasting performance in other regions, notably Asia, perhaps reflects the market’s reaction to greater regulation from governments including the Chinese scrutiny on outbound capital flow and the US national security measures. However, it’s still worth noting that, in taking a longer-term view, acquirers continue to track well above market indices, maintaining a strong return on the deals that have closed.”

– Jana Mercereau, head of Corporate Mergers and Acquisitions for Great Britain at Willis Towers Watson

²The QDPM research for Q2 2017 includes deals completed between 1 April 2017 and 30 June 2017. The number of deals completed in Q2 2017 was 215.

Our study highlights a number of other interesting findings:

- Acquirers of completed deals in Q2 2017 are outperforming the market for most deal types. In a reversal of recent trends, medium-sized, domestic, intra-regional, intra-sector, cross-sector, both quick and slow deals are outperforming the market in comparison to the previous quarter.
- In the industry analysis, we find the Consumer Products and Services, Consumer Staples, Financial Services, Health Care, High Technology and Materials sectors are all underperforming their respective indices, whilst the Energy and Power, Industrials and Telecommunications

sectors are outperforming the index. The overall results for the YTD 2017 show, with the exception of Consumer Staples, Energy and Power, Industrials and Telecommunications, all other sectors have underperformed their respective indices.

- The performance of acquirers of large, medium-sized, intra-regional, cross-regional, cross-sector, both quick and slow deals are down in q2 2017 and are significantly lower than q1 2017. In a reversal of trends, medium-sized, domestic, intra-regional, intra-sector, cross-sector, both quick and slow deals are outperforming the market in comparison to the previous quarter.

Figure 3. M&A quarterly analysis of market performance, global sample

	Q2 2016	Q1 2017	Q2 2017	2016	2017
Mega deals (over or equal \$10B)	-0.8	-5.2	-9.3	5.6	-8.7
Large deals (over or equal to \$1B)	7.3	1.8	0.1	6.3	0.5
Medium-sized deals (under \$1B)	5.5	-3.4	1.3	5.2	-1.7
Domestic	11.4	-5.1	1.0	7.6	-2.2
Cross-border	-2.9	3.5	0.6	1.5	1.4
Intra-regional	10.0	-3.0	1.3	6.8	-1.0
Cross-regional	-3.3	3.9	0.2	0.3	1.4
Intra-sector	2.8	-1.2	1.5	5.4	0.1
Cross-sector	12.7	-2.6	0.1	5.8	-0.7
Quick deals	10.2	-2.4	1.1	4.3	-1.7
Slow deals	2.0	-0.5	0.7	5.9	0.5

Note: The share price returns have been adjusted to index returns over the corresponding period. The MSCI World Index is used as default, unless stated otherwise. 'Quick' deals refer to those transactions which had a median time to completion of less than 70 days; whereas 'slow' deals are those which had a time to completion more than or equal to 70 days for the period.

Willis Towers Watson Quarterly Deal Performance Monitor Methodology in partnership with Cass Business School

- This study focuses on deals which were completed during the second quarter of 2017.
- In order to perform a comparative analysis, data from Q2 2016 and Q1 2017 have been included.
- The sample is global, and all deals have a value of \$100 million or above.
- In addition, all 'merger-of-equals' deals, and minority and remaining purchases have been excluded, as well as those in the Real Estate sector.
- The analysis has been conducted from the point of view of the acquirer and share price performance compared to various MSCI indices (world, industry and region).
- Percentage changes in share prices are measured from six months before the announcement date to the end of the corresponding quarter post-completion.
- Medians have been used throughout.

About Human Capital M&A

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Further information

For further information about the research, or for help with your M&A activity, please contact your Willis Towers Watson consultant or:

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"After an unpredictable political cycle and an equally unpredictable M&A environment that ended with a burst of activity in the last quarter of 2016, it is perhaps no surprise that deal volumes appear to have recently plateaued. However, the M&A community holds a more optimistic outlook on dealmaking (OED) for the second half of the year, bolstered by an abundance of capital available at historically low rates coupled with a US administration that is still widely viewed as a boon for M&A deals."

– Jana Mercereau, head of Corporate Mergers and Acquisitions for Great Britain at Willis Towers Watson

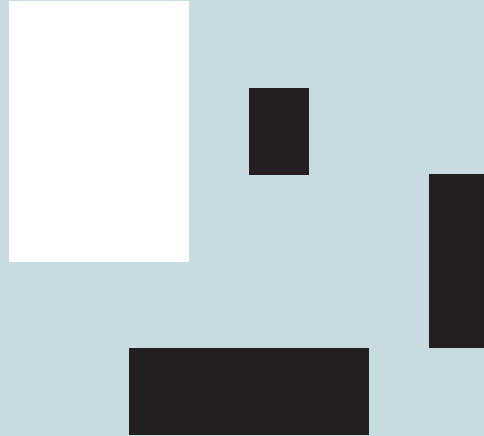
Appendix A: Data descriptives: 2016 and 2017 (YTD)

	2016	Average deal value (\$M)	Median deal value (\$M)	2017	Average deal value (\$M)	Median deal value (\$M)
All	211	350	219	340	215	320
Asia-Pacific	71	259	80	267	64	174
Europe	35	350	24	385	36	363
North America	101	432	107	566	109	441
Rest of the world	4	1,267	8	270	6	341
Consumer Products and Services	11	275	11	250	16	372
Consumer Staples	17	245	17	352	12	449
Energy and Power	28	386	25	633	28	450
Financials	31	315	26	339	45	315
Health Care	21	520	23	330	13	276
High Technology	20	337	35	395	26	227
Industrials	26	389	26	244	33	320
Materials	31	353	22	308	26	208
Media and Entertainment	10	1,691	11	187	4	547
Retail	6	321	12	238	8	451
Telecommunications	10	549	11	1,420	4	509
Domestic	153	325	149	343	154	273
Cross-border	58	423	70	305	61	406
Asia-Pacific	10	595	21	269	14	246
Europe	26	334	20	417	23	508
North America	20	448	24	470	20	435
Rest of the world	2	1,618	5	235	4	341
Intra-regional	173	348	166	342	175	283
Cross-regional	38	352	53	310	38	379
Asia-Pacific	9	435	15	265	12	246
Europe	15	318	14	533	10	772
North America	12	384	20	263	14	420
Rest of the world	2	1,618	4	273	2	1,154
Intra-sector	139	348	144	339	137	398
Cross-sector	72	393	75	352	78	224
Asia-Pacific	37	247	36	332	30	165
Europe	12	488	6	1,002	12	283
North America	22	540	30	393	34	417
Rest of the world	1	154	3	306	2	128
Quick deals	76	288	77	265	79	200
Slow deals	135	422	142	378	136	465
Large deals (over or equal to \$1B)	51	2,290	54	2,253	51	2,400
Mega deals (over or equal to \$10B)	11		3		3	

Appendix B. Top 25 deals by value of transaction: Q2 2017

Date announced	Date effective	Acquirer name	Target name	Value of transaction (\$M)
21/11/2016	28/04/2017	Sunoco Logistics Partners LP	Energy Transfer Partners LP	21,319
01/02/2017	15/06/2017	Reckitt Benckiser Group PLC	Mead Johnson Nutrition Co	16,651
07/07/2016	12/04/2017	Danone SA	The WhiteWave Foods Co	10,356
01/02/2017	30/06/2017	ONEOK Inc	ONEOK Partners LP	9,309
20/03/2016	01/06/2017	Sherwin-Williams Co	Valspar Corp	9,309
24/05/2016	01/04/2017	Computer Sciences Corp	Hewlett Packard Enterprise – business	8,500
09/03/2017	31/05/2017	Canadian Natural Resources Ltd	Athabasca Oil Sands	8,311
23/10/2016	13/04/2017	Rockwell Collins Inc	B/E Aerospace Inc	8,201
17/06/2016	03/04/2017	Gamesa Corp Tecnologica SA	Siemens Wind Holdco SL	7,716
29/06/2016	23/06/2017	Canadian Imperial Bk Commerce	PrivateBancorp Inc	5,899
10/02/2017	01/05/2017	Blackstone Group LP	Aon Hewitt-Benefits Admin & HR	4,800
25/07/2016	13/06/2017	Verizon Communications Inc	Yahoo! Inc – Operating Business	4,476
14/11/2016	27/06/2017	Intrum Justitia AB	Lindorff Group AB	4,446
25/04/2017	07/06/2017	Tyson Foods Inc	AdvancePierre Foods Hldg Inc	4,264
17/11/2016	01/06/2017	Tesoro Corp	Western Refining Inc	4,044
22/08/2016	28/06/2017	Alimentation Couche-Tard Inc	CST Brands Inc	3,688
06/12/2016	01/05/2017	Equinix Inc	Verizon Communications (24 data center sites))	3,600
03/12/2015	01/04/2017	JX Holdings Inc	TonenGeneral Sekiyu KK	3,414
18/08/2016	28/04/2017	Emerson Electric Co	Pentair PLC – Valves & Controls	3,150
16/01/2017	24/04/2017	Noble Energy Inc	Clayton Williams Energy Inc	2,908
19/12/2016	03/04/2017	Svenska Cellulosa AB SCA	BSN Medical Luxembourg Group Holding	2,864
05/10/2016	01/06/2017	NN Group NV	Delta Lloyd NV	2,744
26/04/2016	01/04/2017	Coca-Cola West Co Ltd	Coca-Cola East Japan Co Ltd	2,660
05/01/2017	05/04/2017	Gartner Inc	CEB Inc	2,492
28/02/2016	29/06/2017	UltraTech Cement Ltd	Jaiprakash Assoc Ltd-Cement	2,410





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