Baker McKenzie.

OXFORD ECONOMICS

2017

GLOBAL TRANSACTIONS FORECAST

From apprehension to appetite

Foreword

Especially after the year we have just had, forecasting the next 12 months, let alone the next three years is not an easy task. However, I believe this joint Oxford Economics and Baker McKenzie report provides great insight into how transactional markets across the world will play out in the years to come.

Its unique combination of economic modeling coupled with the insights and market knowledge of our transactional partners in 37 major markets make it an interesting read.

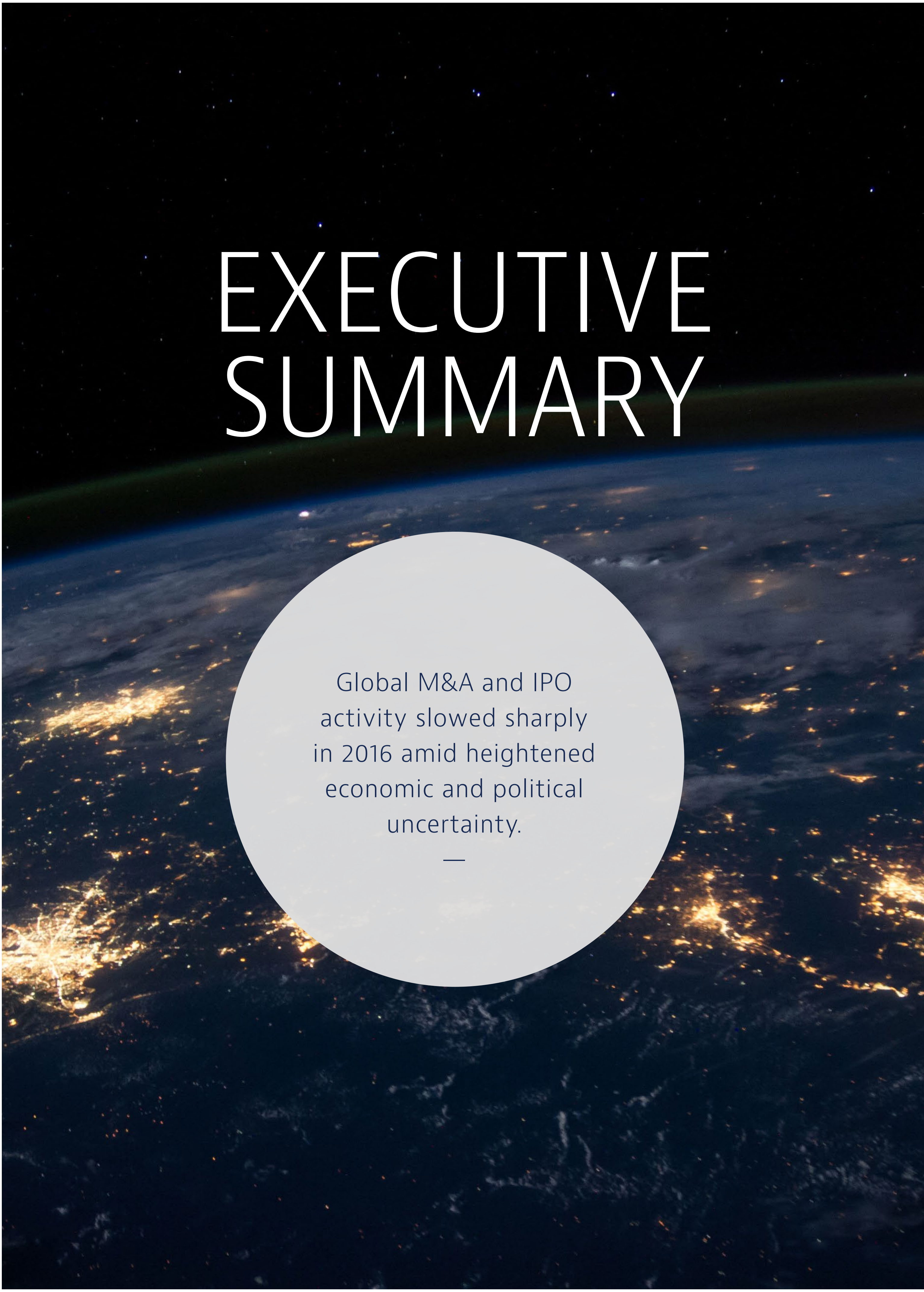
By nature, I am an optimist. So I am pleased that after continued instability in the first half of this year, the signs indicate that both M&A and IPO activity will pick up significantly as 2017 progresses and into 2018.

In addition to providing detailed regional and country analysis, this report highlights the upside and downside risks to our forecast, as well as analyzes the impact of macroeconomic trends across sectors.
I recommend it to you.

PAUL RAWLINSON
Global Chair, Baker McKenzie

Contents

EXECUTIVE SUMMARY



Global M&A and IPO activity slowed sharply in 2016 amid heightened economic and political uncertainty.

—

Volatility in the US stock market, growing concerns about China's economic slowdown, and dropping oil and commodity prices caused dealmakers to become more cautious. Those concerns were compounded by the UK's vote to leave the European Union and the US presidential election.

We expect this environment of uncertainty to continue for at least the first quarter of this year, with M&A activity dropping to US$2.5 trillion in 2017 from US$2.8 trillion in 2016. Equity markets around the world rebounded in the weeks following the US election, but we are cautious about assuming a recovery in deal activity given the lack of clarity about the UK-EU relationship and the new US administration's policies on trade and investment.

Once greater clarity emerges, we expect global M&A activity to pick up to a peak of US$3 trillion in 2018. Then deal making will gradually slow in 2019, dropping to US$2.8 trillion that year and US$2.3 trillion in 2020, as global finance becomes more expensive and valuations start to fall.

We expect IPO activity to rise modestly in 2017 and bounce back in 2018 and 2019 as companies that had postponed their listings return to public markets. Another factor likely to support an IPO recovery is the number of countries looking to list state-owned companies to raise money, particularly in Central and Eastern Europe, the Commonwealth of Independent States, the Middle East and Africa. We forecast that global IPO activity will rise from US$131 billion in 2016 to US$168 billion in 2017, then peak at US$275 billion in both 2018 and 2019.

From a sector perspective, a key driver of global deals will be the tech sector, where M&A is forecast to reach US$415 billion by 2018 — the highest since 2000. We expect a similar uptick in IPO activity led by Snapchat's mooted IPO. If Snapchat's IPO is successful, it would be the largest US-listed technology offering since Alibaba Group's IPO in 2014.

Healthcare, particularly biotech and pharma deals, will also fuel the upturn amid greater innovation, less regulatory intervention in the US and a larger role for private health providers in supplying public health services.

Deal making in the finance and consumer goods sectors will drop slightly in 2017 before rebounding in 2018. For finance, tech innovation and consolidation in Europe's banking industry is likely to boost M&A while the consumer goods sector continues to reap the benefits of cheaper energy and major growth in consumer spending.

Deals in the energy sector will only modestly recover in the next few years as oil prices gradually rise. However, 2017 could potentially see the listing of Saudi oil giant Aramco in what would be the biggest IPO in history.

We base our M&A and IPO forecasts in this report on the anticipation that EU and UK officials will make progress on establishing a new relationship in 2017, and that the new US administration will adopt a less protectionist stance on international trade and immigration policy, while setting out plans for fiscal stimulus. Also assuming that China continues to manage its economic slowdown and the Eurozone continues its economic recovery, we anticipate that financial markets will continue to hit new highs and investor confidence will rise.

Alongside this renewed market activity and investor confidence, global deal making has the potential to rebound in the coming years, given the massive cash reserves sitting on corporate balance sheets and near-record levels of private equity dry powder. Barring further shocks to confidence, investors will have the firepower they need to pursue acquisitions, and their apprehension will turn into appetite.

KEY FORECASTS BY REGION

■ **NORTH AMERICA WILL REMAIN THE LARGEST MARKET FOR M&A TRANSACTIONS, ACCOUNTING FOR 50% OF GLOBAL M&A VALUES IN 2017 AND 2018.** Key to the outlook is the policy agenda of the new US administration. While uncertainty prevails about the new president's plans for trade and investment openness, we expect deal making to remain constrained in 2017, totaling US$1.25 billion. But assuming the new US administration adopts a relatively pro-business policy agenda, we expect deal values in North America to pick up in 2018, rising to a peak of US$1.4 trillion.

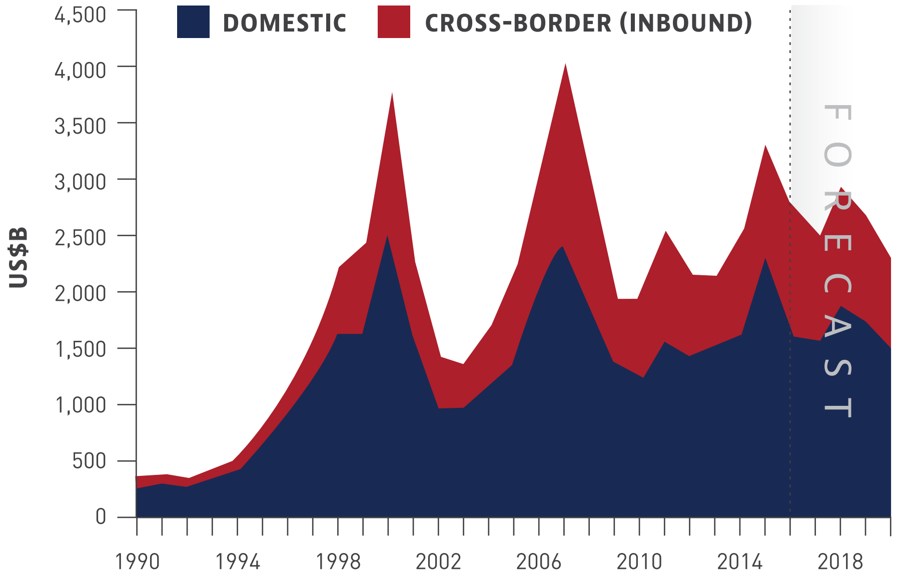
■ **ASSUMING AN AMICABLE SEPARATION, BREXIT WILL HAVE ONLY A MODEST IMPACT ON TRANSACTIONS IN MOST OF EUROPE.** Although we forecast M&A activity in the UK to drop sharply in the next few years as investors wait for details to emerge about the UK's new trading and financial relationship with Europe, the rest of the region is poised to recover. We forecast deal values in Europe excluding the UK to rise from US$319 billion in 2016 to US$459 billion in 2017, and on to a peak of US$613 billion in 2018. In the UK, we forecast M&A values to fall to US$125 billion in 2017, down more than 60% from US$340 billion in 2016.

■ **IN ASIA PACIFIC, THE SLOWING CHINESE ECONOMY AND CONCERNS ABOUT THE REGION'S TRADE PROSPECTS IS DRIVING DEAL VALUES LOWER, TO A FORECASTED US$566 BILLION IN 2017.** But assuming the new US administration adopts a relatively liberal global trade policy, Asia Pacific's globally competitive labor forces, strong demographics and rising productivity should support a deal-making recovery. We forecast total M&A activity to pick up to US$676 billion in 2018 and US$727 billion in 2019, before easing in 2020.

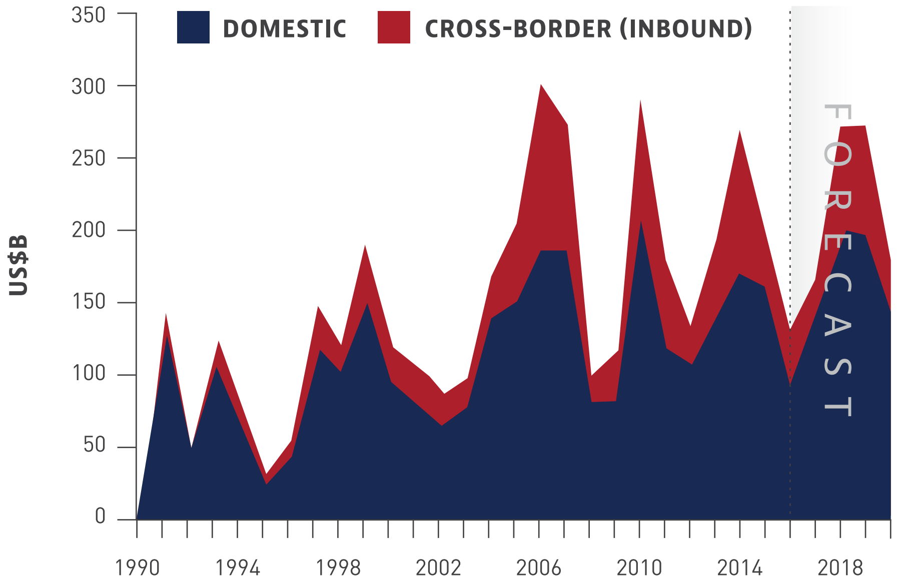
■ **IN AFRICA AND THE MIDDLE EAST, LOW OIL PRICES AND PERSISTENT SECURITY WORRIES WILL UNDERMINE DEAL APPETITE THROUGH 2020.** In 2016, M&A deal values fell to US$37 billion, down 40% from US$61 billion in 2015. We forecast a further drop to US$29 billion in 2017 before a modest recovery in commodity prices and the easing of austerity measures push the region's M&A values slightly higher. We forecast total M&A deal values to rise to US$41 billion by 2019, but remain well below 2015 values.

■ **LATIN AMERICAN DEAL ACTIVITY CONTINUES TO SUFFER FROM THE COMMODITY PRICE SLUMP, BUT RECENT DEVELOPMENTS BOOST CONFIDENCE.** M&A activity in Latin America dropped sharply in 2016 amid lower commodity prices, difficult economic conditions and fallout from Brazil's political scandal. But with Brazil and Argentina taking steps to improve their economic policies, M&A activity in the region should remain steady in 2017, at US$70 billion. Assuming these improvements continue, we forecast the region's M&A deals to peak at US$142 billion in 2019, dropping to US$113 billion by 2020.

GLOBAL M&A TRANSACTIONS



GLOBAL IPO TRANSACTIONS



INTRODUCTION

After a flurry of megadeals in the second half of 2015 pushed global M&A deal values to the highest they've been since 2007, deal making slowed substantially in 2016 amid major economic and political uncertainty in several key economies.

M&A transactions fell 17% by value in 2016, and would have fallen further if not for the conclusion of several long-running negotiations, such as Anheuser-Busch InBev's takeover of SAB Miller, which required regulatory clearance in the US, EU, China, Australia and South Africa. Meanwhile, IPO transactions fell by 36% as companies delayed listing amid heightened volatility in financial markets.

This slowdown raises key questions for investors: When will the global economic outlook become more certain? What impact will the new US administration have on deal appetite? And if we do experience a disorderly Brexit, re-ignition of the Eurozone crisis, or more severe slowdown in the Chinese economy, how will this impact global transactions?

This report, our second annual Global Transactions Forecast, seeks to answer these questions by examining the macroeconomic, financial and structural factors that underpin M&A and IPO activity. Based on calculations from Oxford Economics, we present projections for total M&A and IPO deal values and volume across 37 countries from 2017 through 2020.

By providing this outlook, we aim to provide corporate leaders and investors with a better sense of the macroeconomic environment they are likely to face in the next four years so they can make more informed investment decisions.

Our report examines the macroeconomic, financial and structural factors that underpin M&A and IPO activity.

KEY MACRO TRENDS

The risk of a sharp economic slowdown in China, political and financial turmoil in oil-producing emerging markets, the UK's decision to leave the EU, and the build-up to the US election are just a few factors that dampened the global economic outlook for 2016.

—

The failed coup in Turkey, impeachment of Brazilian President Dilma Rousseff and the protectionist sentiments expressed during the run-up to the US presidential election also created economic uncertainty. As a result of these conditions, Oxford Economics estimates that the global economy grew just 2.3% in 2016 — the slowest rate since 2009.

Looking ahead, several of these uncertainties will persist into 2017. Following the US presidential election in November, financial markets have been bouyed by President Donald Trump's pledges to cut taxes and boost infrastructure spending. But it remains unclear to what degree the new administration will pursue campaign promises to implement protectionist trade policies and increase the deportation of illegal immigrants. Moreover, as the UK government prepares to trigger Article 50 in March 2017, uncertainty about the UK's future relationship with Europe will persist well into 2018.

On the positive side, worries about financial stability in emerging markets should ease. Assuming governments in commodity-exporting economies such as Brazil, Russia and the Middle East continue to take measures to trim spending and raise non-oil revenues, currencies in these markets should stabilize, inflation should slow and fiscal deficits should narrow.

Oxford Economics estimates that the global economy grew just 2.3% in 2016 — the slowest rate since 2009.

So while we expect global deal making to fall a little further in 2017, transactional activity should rebound in 2018 as clarity emerges on key issues such as the UK-EU relationship, US policy towards global trade and investment, and ongoing progress in rebalancing China's economy. Key strengths in the global economy should support an increase in deal activity in subsequent years, including:

- **STILL-LOW INTEREST RATES.** Markets correctly anticipated a Federal Reserve rate hike in December 2016, and we expect one more hike in 2017, and two in both 2018 and 2019. But even after these increases, US interest rates will remain historically low, alongside cheap financing in the Eurozone, UK, and Japan.

- **SOLID US CONSUMER SPENDING.** Low unemployment, growing wages, a stronger dollar and low energy prices are boosting household spending power in the US.

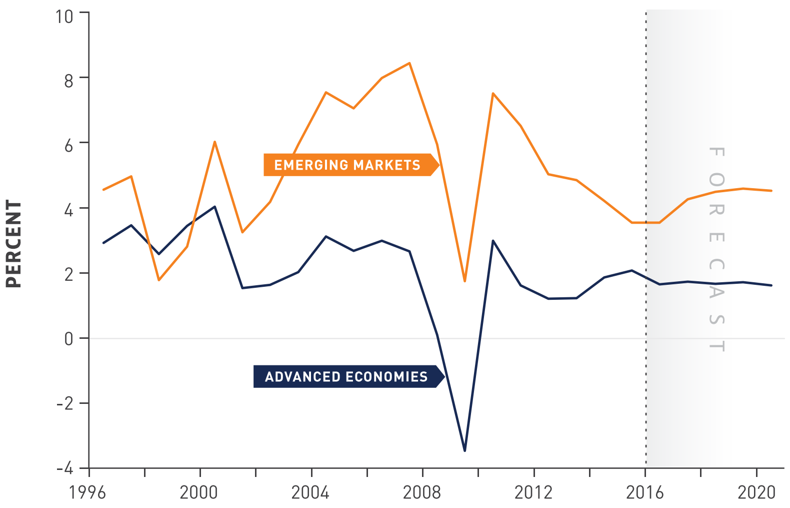
- **A RELATIVELY SMOOTH ECONOMIC TRANSITION IN CHINA.** With service sectors leading growth and the government making progress in closing unprofitable coal mines and steelworks, growth should gradually slow to 6% to 6.5% per year, avoiding a sharp decline in industrial activity.

- **A EUROZONE RECOVERY DESPITE BREXIT.** Business investment and job creation in the Eurozone has remained steady despite the Brexit vote in June, suggesting that Europe's economic recovery will continue even as the UK, a key trading partner, experiences slower growth.

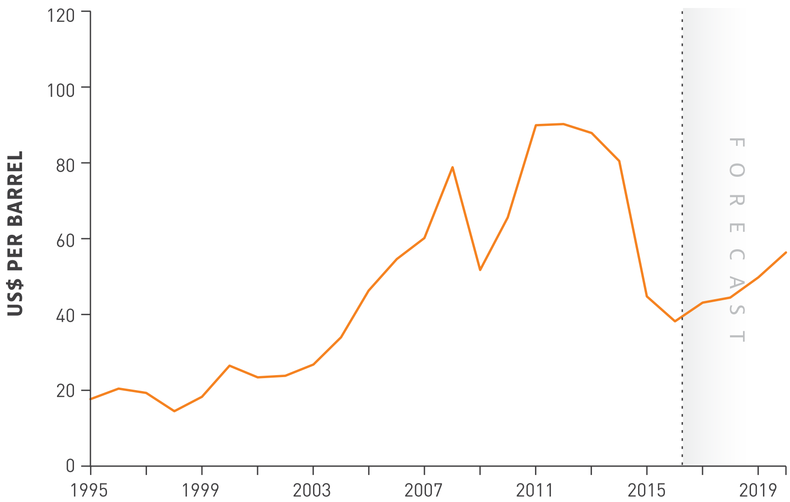
- **THE STABILIZATION OF OIL PRICES.** A gradual recovery in oil prices will create greater economic and financial certainty in commodity-exporting economies, particularly in emerging markets. But since the rate of price increases will be steady (we forecast that oil prices will remain below US$60 per barrel until late 2019), households will not experience a sharp rise in the cost of energy and fuel, which should help protect global consumer spending power.

- **HISTORICALLY HIGH CORPORATE CASH BALANCES.** Assuming that attitudes do not harden against free global trade and investment, corporate leaders in advanced economies are likely to regain confidence in the market and start investing the reserves they've been stockpiling since the global economic crisis.

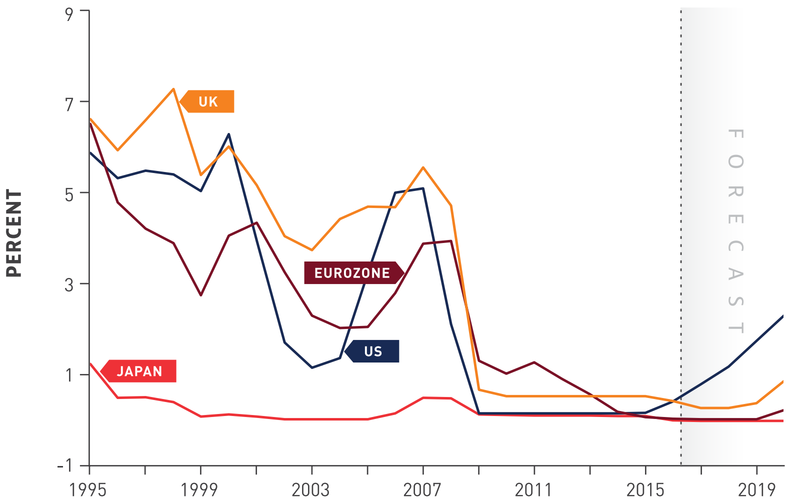
Taken in tandem, we expect these conditions to support a gradual pickup in global economic growth in the years ahead, rising to 2.6% in 2017, and 2.8% in 2018. As threats to the stability of the global economy ease, and dealmakers regain confidence in the market, their apprehension will turn into appetite.



GDP GROWTH IN ADVANCED AND EMERGING ECONOMIES



BRENT CRUDE OIL PRICES



INTEREST RATES IN ADVANCED ECONOMIES

TRANSACTIONS FORECAST

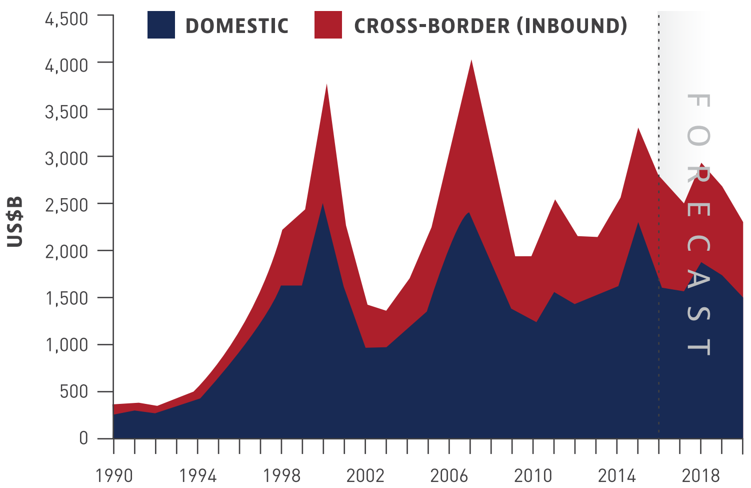
GLOBAL M&A OUTLOOK

Total deals values surged in 2015, as a strong pipeline of announced transactions were brought to market, encouraged by greater boardroom confidence and abundant liquidity. Dealmakers executed a total of US$3.4 trillion in transactions in 2015, up 36% from total deal values in 2014.

This upward momentum halted in the early months of 2016, however, amid stock market volatility generated by concerns over slowing growth in the Chinese economy, depreciation of the yuan as investors reappraised their China holdings and withdrew capital, and a sharp decline in oil and commodity prices.

Political risk in advanced economies became an increasing concern through 2016, as the run-up to the UK referendum on EU membership in June clouded investor confidence levels in Europe, and uncertainty leading up to the US presidential election in November cast a shadow over transactional activity in North America.

Given this challenging deal-making environment, M&A activity slowed to US$2.8 trillion in 2016, down from US$3.4 trillion in 2015. The slowdown would have been even more pronounced, particularly in the UK, if it weren't for a number of megadeals already in the pipeline.



GLOBAL M&A TRANSACTIONS

As much of this uncertainty about the UK's relationship with Europe and the policy agenda of the new US administration continues into 2017, we expect investors to remain cautious and M&A transactions to drop slightly to US$2.5 trillion. But as financial and economic conditions stabilize, corporate earnings strengthen and political tensions fade, we expect global M&A activity to rise to US$3 trillion in 2018 before dropping in 2019 and 2020 as global interest rates rise and equity valuations fall.

However, we don't anticipate this downturn to be as sharp as those in 2001-02 or 2008-09 because market valuations are more in line with historic averages, and investors are likely to remain cautious during the upswing. As companies focus on core business strategies and increasing earnings growth, they are likely to divest noncore assets at attractive prices.

[1] M&A transactions include both acquisitions of majority shares and partial interests. The transaction value is the total value of consideration paid by the acquirer, excluding fees and expenses.

REGIONAL M&A OUTLOOK

NORTH AMERICA: NEW US ADMINISTRATION TO DELAY BUT NOT DERAIL M&A PICKUP.

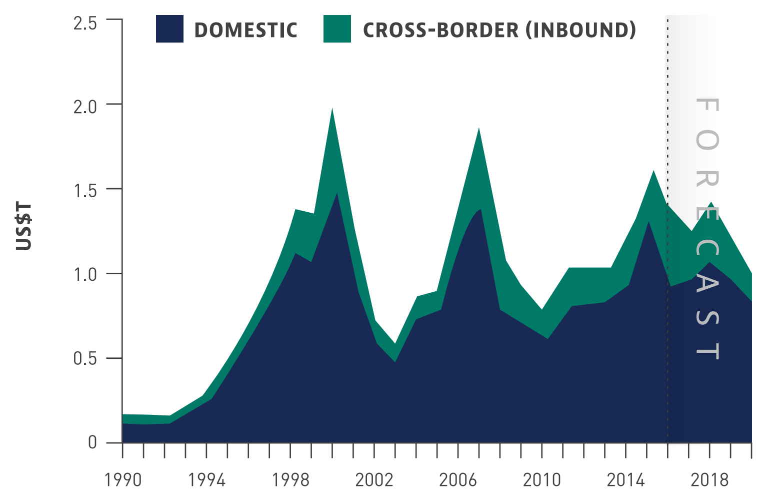
North America is a major driver of global transactions, with M&A deals totaling US$1.36 trillion in 2016, nearly half of the global total. M&A in the region dropped 15% from 2015 to 2016 because of uncertainty surrounding the US election, the impact of the strong dollar on exporter competitiveness (particularly in Canada), and a slowdown in the commodity sectors.

Until details of President Trump's legislative agenda emerges, particularly related to trade tariffs and immigration, we expect M&A activity to remain subdued, totaling US$1.25 trillion in 2017. However, the new administration's plans for lower taxes on households and businesses, plus substantial infrastructure investment, should support investor confidence. As economic and political uncertainties fade moving into 2018, we expect boardrooms to follow through with deals put on hold in 2016 and 2017.

Although the Federal Reserve is expected to gradually raise interest rates, it will not constrain deal making. We expect M&A activity in North America to peak at US$1.4 trillion in 2018, followed by a more moderate downswing than in previous cycles because of fewer overly leveraged deals.

From a sector perspective, technology and healthcare will drive M&A activity in North America because of the US's strength in tech innovation and the aging populations in advanced economies. Further consolidation within the energy and raw materials sectors should also continue to generate transactions in the coming years.

NORTH AMERICA



UNITED KINGDOM: COUNTING THE COST OF BREXIT

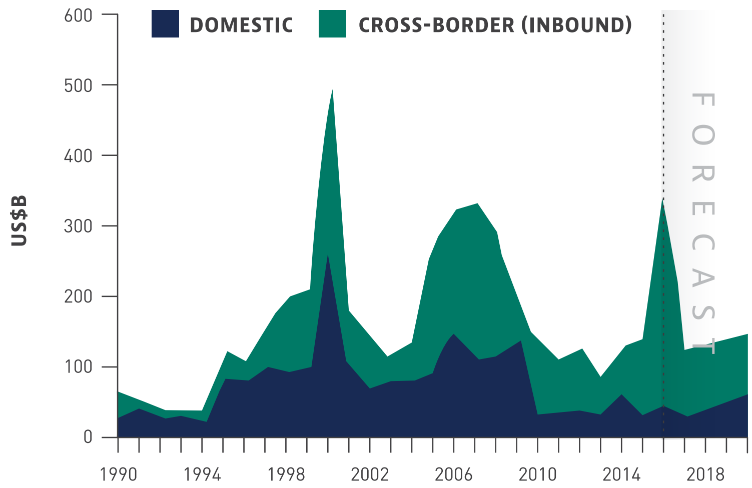
In contrast to the rest of the world, M&A transactions held up remarkably well in the UK in 2016, aided by a number of megadeals. Those included the long-awaited completion of AB InBev's US$101 billion takeover of SAB Miller, Shell's takeover of BG Group for US$69 billion, Softbank's acquisition of ARM Holdings for US$32 billion, Visa Inc's reacquisition of Visa Europe for US$21 billion, and BT's acquisition of EE for US$19 billion. As a result, M&A activity rose to US$340 billion in 2016, up from US$141 billion in 2015.

Excluding these five deals, however, total deal value in 2016 would have been 33% lower than in 2015. Looking forward, we expect weaker economic growth in the UK and uncertainty about the relationship UK companies will have with the rest of Europe to dampen M&A activity. The UK government plans to activate Article 50 by March, triggering negotiations with the EU on the terms of Brexit that could last up to two years.

As a result, we expect M&A values to fall to US$125 billion in 2017 and rise moderately to US$150 billion by 2020. By comparison, our prior forecast in June 2015 had anticipated that UK M&A activity would peak at US$265 billion in 2017 and reach US$202 billion in 2020.

M&A activity in sectors such as finance and industrials that are most at risk in the event of difficult Brexit negotiations are likely to remain low through 2017, before recovering gradually in subsequent years.

UNITED KINGDOM



NON-UK EUROPE: CHEAP FINANCING AND EUROZONE RECOVERY SUPPORT DEAL MAKING

European businesses were cautious about pursuing M&A transactions in 2016, with total M&A activity falling to US$319, down sharply from US$736 billion in 2015. The UK's vote to leave the EU hurt investor confidence, along with other concerns about the Eurozone's stability, including the fragility of the Italian banking system.

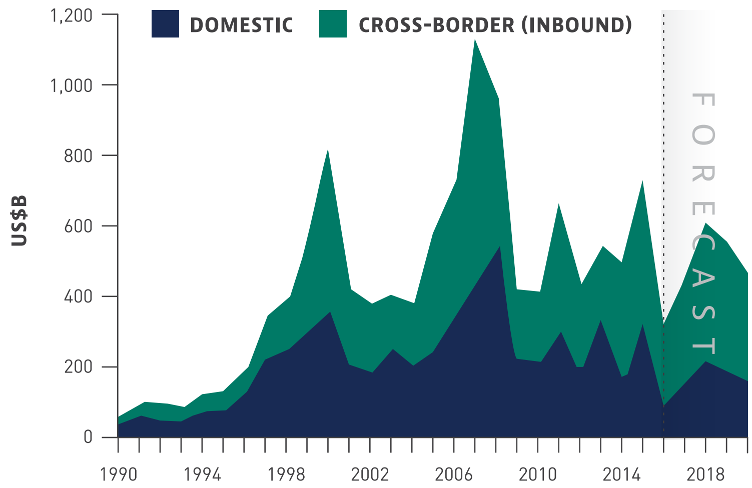
However, the Eurozone recovery appears to be on firmer footing moving into 2017, and barring a disorderly Brexit or further political shocks during the presidential elections in France and Germany, growth looks strong. Corporate investment is rising and the labor market continues to create jobs, raising consumer confidence to pre-global financial crisis levels.

We expect M&A deal making in non UK-Europe to rise to US$459 billion in 2017, and peak at US$613 billion in 2018, aided by the European Central Bank's low interest rates and further weakening of the euro/dollar exchange rate, which will boost manufacturing competitiveness.

As corporations focus on core business activities and carve out noncore but profitable assets, foreign buyers will have a larger pool of attractive acquisition targets in Europe. But then M&A values will drop moderately in 2019 and 2020 as Eurozone interest rates rise and equity prices fall.

From a sector perspective, Europe's finance sector, particularly consolidation within the banking industry, will drive deal making in coming years. The health and pharmaceutical sectors should also drive M&A growth.

NON-UK EUROPE



LATIN AMERICA: POLITICAL AND ECONOMIC CHALLENGES CONTINUE TO DAMPEN M&A OUTLOOK

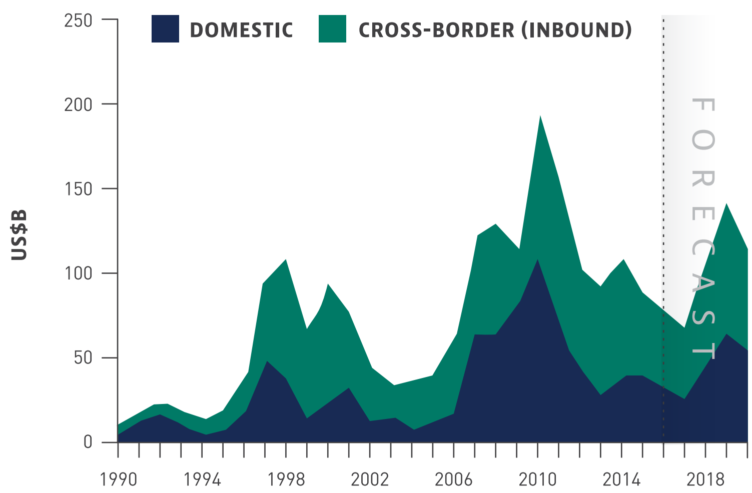
Deal making in Latin America dropped sharply in the early months of 2016 as the region struggled with lower commodity prices, difficult economic conditions, fallout from Brazil's political scandal and a change in Argentina's government. Deal values in the region totaled US$76 billion in 2016 — the weakest outturn since 2006.

But the economic policy environment in the region has improved in recent months. Brazil's new government has taken steps to restore fiscal credibility, enabling its central bank to cut interest rates in October 2016 for the first time in four years. Improvements in Argentina's economic policy have been more modest, but the new government's efforts to reduce subsidies and narrow the fiscal deficit are promising.

Within Latin America, Mexico's economy is most vulnerable if the new US administration swings towards protectionism. Assuming the new administration maintains a relatively liberal trade policy, we expect ongoing industrial integration between Latin America and North America to remain a key driver of deals in the region.

Although growth will be slow, investor confidence in Latin America is rising. We expect M&A values to remain steady at US$70 billion in 2017, and double by 2019.

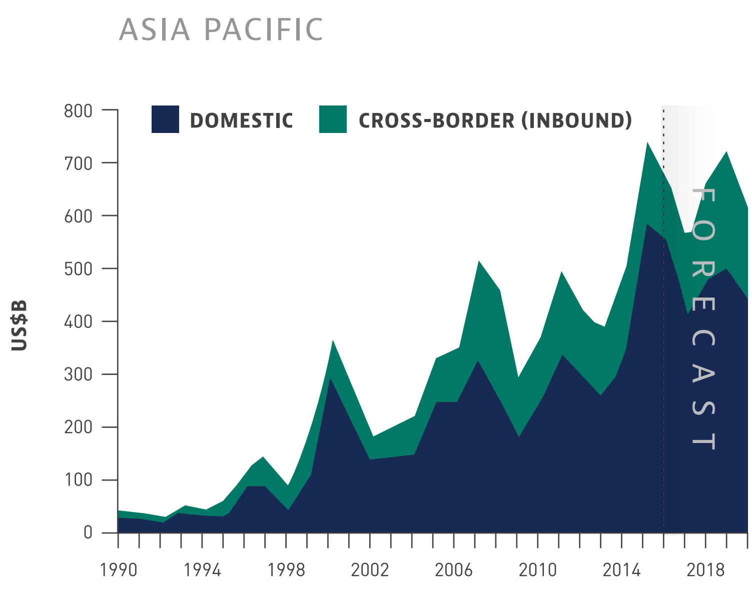
LATIN AMERICA



ASIA PACIFIC: CORPORATIONS RETAIN STRONG APPETITE FOR ACQUISITIONS

Moving into 2017, dealmakers in Asia Pacific will remain wary of the possibility that the new US administration will impose trade tariffs on China and the impact that could have on the Chinese economy. But assuming the new administration's policies are more moderate, we expect a more stable M&A landscape to emerge in the next three years as Asian corporations retain their strong appetite for acquisitions and foreign investors remain eager to invest in the region. As such, we forecast total M&A values to rise to US$676 billion in 2018, and US$727 billion in 2019, before easing in 2020.

From a sector perspective, the diversity of Asia Pacific's economies means that trends in numerous industries will likely drive future deal activity. These include the need for consolidation in the raw materials sectors, particularly in Australia and Indonesia, as energy and mining companies adapt to a new era of slower global demand growth and lower prices. It also includes the need for China to eliminate space capacity in heavy industry such as steel, plus a boost in healthcare investment in more advanced Asia Pacific countries to care for aging populations.



As Asia continues to become a strong originator of outbound deals, Chinese buyers are likely to focus on the services sectors, rather than the commodities sectors that have driven industrial growth in the past two decades.

The Chinese government's recent proposals for greater scrutiny of outbound capital flows from China could pose a risk to this process. But the measures appear to be motivated by a desire to stabilize capital outflows and the exchange rate rather a fundamental shift in government-backed investment strategy. For example, the most restrictive measures the government has proposed apply to outward investment of $10 billion or more, which would not have impeded any outbound M&A deals in 2016.

Moreover, the government's proposal to apply greater scrutiny to deals between US$1 billion and US$10 billion only applies if a Chinese acquirer is seeking to invest in a company outside of its industry or supply chain. Thus if implemented, we do not expect these measures to significantly impact our forecast.

The diversity of Asia Pacific's economies means that trends in numerous industries will likely drive future deal activity.

AFRICA AND THE MIDDLE EAST: M&A ACTIVITY LIKELY TO REMAIN LOW UNTIL COMMODITY PRICES STABILIZE

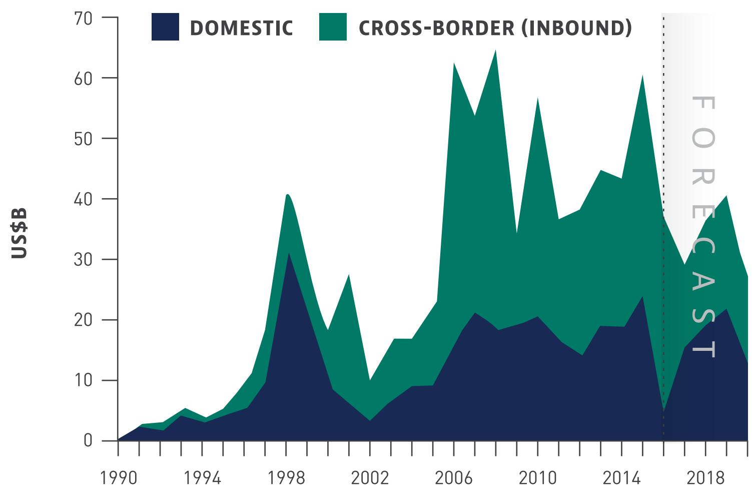
Lower oil prices have hit the Africa and Middle East region hard. South Africa usually drives transactions in the region, but M&A activity has dropped amid a weakening economy, currency volatility and threat of a sovereign rating downgrade by at least one main rating agency.

The drop in South Africa's M&A activity would have been even more acute in 2016 if not for Al Noor Hospital Group's US$9.2 billion acquisition of Mediclinic International, South Africa's largest private healthcare provider. That transaction accounted for 25% of the region's total deal value.

We forecast that transactional activity in Africa and the Middle East will remain sluggish in 2017, albeit with higher activity targeting distressed assets in the oil and gas sector. These economies will be among the hardest hit by China's shift from commodities to service sector acquisitions.

We don't anticipate a recovery in the region's transactional activity until 2018, once commodity prices have firmed and the region's economies stabilize. We forecast total M&A deal values to rise to US$41 billion by 2019, well below 2015 values.

AFRICA & THE MIDDLE EAST



TOTAL M&A TRANSACTIONS (US$B)

	2014	2015	2016	2017	2018	2019	2020
North America	1,213	1,611	1,358	1,254	1,395	1,149	958
% of world	48.9	47.6	48.3	50.1	47.0	41.6	41.3
Europe	621	877	659	584	749	702	611
% of world	25.1	25.9	23.5	23.3	25.2	25.4	26.4
Asia-Pacific	492	746	681	566	676	727	609
% of world	19.9	22.1	24.2	22.6	22.8	26.3	26.3
Latin America	109	88	76	70	110	142	113
% of world	4.4	2.6	2.7	2.8	3.7	5.2	4.9
Africa & Middle East	43	61	37	29	37	41	26
% of world	1.7	1.8	1.3	1.2	1.2	1.5	1.1
Global Total	**2,479**	**3,383**	**2,810**	**2,503**	**2,966**	**2,761**	**2,316**

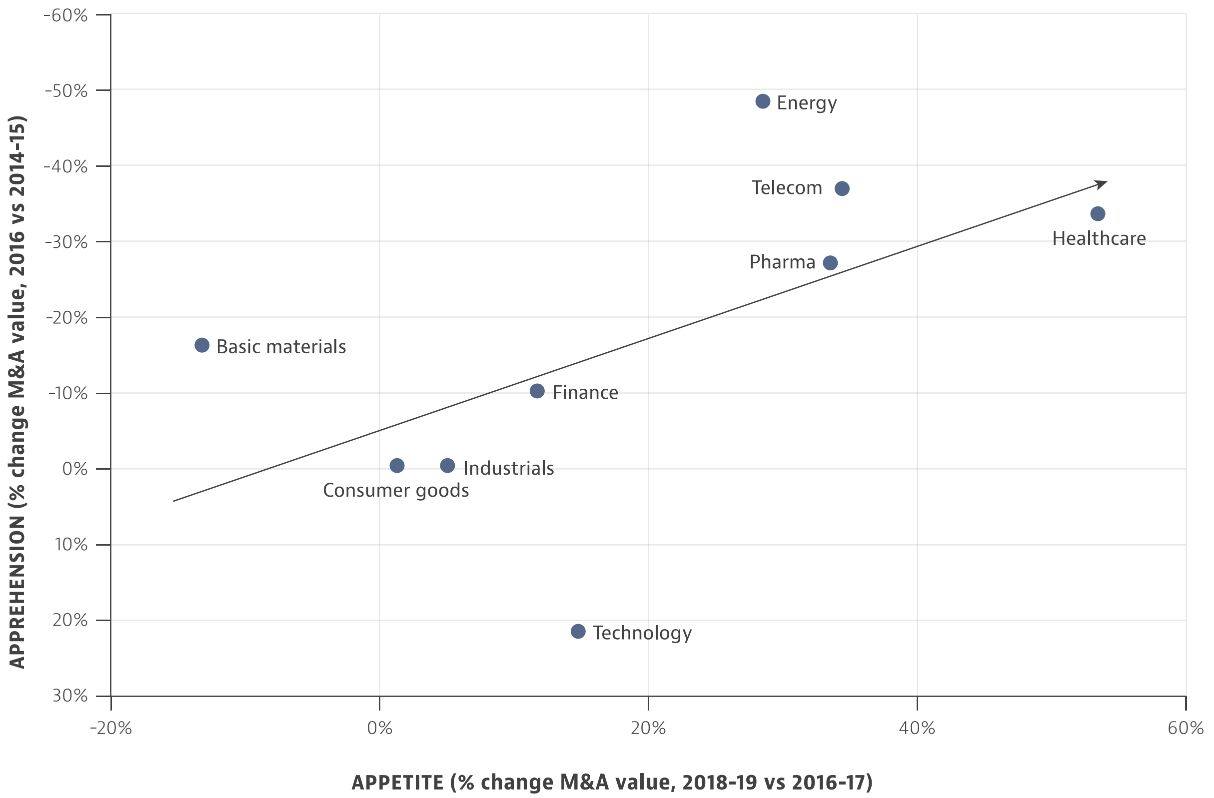
SECTOR M&A OUTLOOK

From a sector perspective, our forecast shows a clear shift from investor apprehension to appetite in the coming years, with several of the industries hit hardest by the M&A slowdown in 2016 primed for recovery. Healthcare, pharmaceuticals, telecom and energy will experience the strongest turnarounds, although we expect the rise in energy M&A to be relatively short-lived.

Sectors like consumer goods, industrials and finance that have experienced more moderate slowdowns in deal activity over the last two years are likely to have slower upturns.

One outlier to this rule is basic materials, which experienced a major slowdown in deal activity during the global financial crisis (deals peaked at US$405 billion in 2007, fell to US$117 billion in 2009, and have fluctuated between US$120-220 billion since). We expect this slowdown to continue, albeit at a slower pace.

Another exception to the rule is technology, where activity has been strong in the past few years, and will likely strengthen further in the years ahead.



#1 SECTOR

PHARMA AND HEALTHCARE: POLICY SHIFTS, INNOVATION AND DEMOGRAPHICS DRIVE DEALS

Pharma and healthcare were among the sectors hit hardest by the M&A slowdown in 2016. The value of pharmaceutical deals fell 33% and non-pharma healthcare deals dropped more than 50% from 2015 to 2016, partly because megadeals such as Actavis' US$68 billion takeover of Allergan boosted deal totals in 2015.

Despite this drop in value from 2015, pharma deals reached US$220 billion in 2016 — the third highest year on record. Healthcare deals totaled US$85 billion, up slightly from 2015.

Looking ahead, several structural trends support stronger M&A activity in both sectors. As populations age in emerging and advanced economies, public and private healthcare spending will rise faster than other areas of spending. Biotech innovations will open new areas for medical breakthrough, generating attractive high-risk, high-growth opportunities for acquirers.

At the same time, the combination of aging populations and fiscal pressure will motivate governments to look for efficiencies in public health systems. This is likely to increase government outsourcing, creating growth opportunities for private health providers, and the potential for efficiency-boosting mergers.

We forecast activity in the combined healthcare/pharma sector to pick up from US$305 billion in 2016 to reach a peak of US$445 billion by 2018, and to sustain its strength better than other sectors, falling modestly to US$405 billion by 2020.

#2 SECTOR

FINANCE: TECH INNOVATION AND BANK CONSOLIDATION DRIVE REBOUND IN 2018

The finance sector has long been a bellwether of wider M&A activity, rising and falling with the overall trend, and accounting for a steady 20% of global activity from 2010 to 2016. In line with that trend, finance M&A fell to US$540 billion in 2016, down from US$675 billion in 2015.

Looking ahead, finance M&A will drop slightly in 2017, to US$476 billion, but rebound in 2018 as political uncertainties in the US and UK ease. This will boost investor optimism, and aided by historically cheap credit, we forecast finance M&A to rise to US$578 billion in 2018 before slowing to US$440 billion by 2020.

Part of this rise will stem from the consolidation of Europe's fragmented banking system. Other types of acquisitions are likely to evolve as technological advancements continue to threaten established business models. Challenger banks with internet or mobile-only operations have become attractive targets for established players, and online innovators in capital raising and investment management will also provide growth opportunities.

#3 SECTOR

TECHNOLOGY AND TELECOM: NEW TECH TO BECOME KEY DRIVER OF DEAL ACTIVITY

Technology enjoyed a robust 2016, with M&A values rising to US$371 billion, up from US$350 billion in 2015. This reflects both the ongoing strength of deal making in traditional technology and new technology's increasing reach across the wider economy.

The strength of traditional technology transactions is illustrated by a number of 2016 megadeals, including Avago Technologies' US$38 billion takeover of chip manufacturer Broadcom, Western Digital's US$16 billion acquisition of storage manufacturer SanDisk, and private investors' US$10 billion takeover of Chinese software firm Qihoo 360.

Meanwhile, activity in new tech is broader based, with a wider range of nontech buyers aiming to innovate through acquisition, such as General Motors' acquisition of Cruise Automation, a self-driving technology startup, and Unilever's takeover of Dollar Shave Club, an e-commerce company that sells monthly subscriptions for men's razor blades.

Looking ahead we expect the new tech trend to become a more prominent driver of total deal activity, as banks and other financial institutions try to limit their exposure to fintech firms, and incumbent firms in other sectors aim to keep up with innovations such as the sharing economy and the Internet of Things.

As a result, we expect tech M&A to rise to US$415 billion in 2018 — the highest level since 2000 — before gradually easing in 2019 and 2020.

Telecom M&A dropped to US$130 billion in 2016, down from US$304 billion in 2015. But this fall is exaggerated by the merger of Altice SA with Altice NV for an estimated US$145 billion in 2015.

Setting this deal aside, the slowdown in telecom M&A was modest compared to the global slowdown, and prospects for a gradual strengthening of deal making are good. Like the wider technology sector, we expect groundbreaking developments such as the Internet of Things and the changing nature of media consumption to drive interest from outside of the sector.

We forecast that telecom M&A will rise to US$150 billion in 2017 and US$193 billion in 2018 before dropping gradually in 2019 and 2020.

#4 SECTOR

CONSUMER GOODS: STRONG OUTLOOK AMID CHEAPER ENERGY AND INCREASED CONSUMER SPENDING

The consumer goods sector experienced a much less pronounced M&A slowdown than total global activity in 2016. Deal values totaled US$483 billion in 2016, slightly down from US$481 billion in 2015. The windfall from cheaper energy and improvements in the European and US labor markets helped accelerate consumer spending growth to pre-crisis rates. This boosted turnover and profitability for consumer goods companies, and supported deal appetite in the sector even as the wider economic and political environment deteriorated.

Looking ahead, the outlook for consumer goods M&A remains positive. Wages are starting to rise more quickly across advanced economies, as unemployment falls to levels consistent with wage growth. At the same time, households in commodity-producing economies where currencies have depreciated are likely to experience greater price stability in coming years, supporting consumer confidence.

As a result of these trends, we forecast consumer goods M&A to peak at US$504 billion in 2018, then drop as global consumer spending growth eases in 2019 and 2020.

#5 SECTOR

ENERGY: MIXED PROSPECTS AMID LOWER OIL PRICES AND MAJOR TRANSFORMATION

The energy sector had a surprisingly strong 2015, with two deals in excess of US$20 billion completed in the final months of the year. This pushed total deal value to US$293 billion in 2015, down just 10% from 2014 despite the plunge in energy prices. Energy M&A dropped sharply in 2016, however, to US$164 billion, even accounting for Shell's US$69 billion acquisition of BG Group.

Going forward, the new normal for oil prices will strengthen the case for cost synergies, a key driver of energy M&A in recent decades, and possibly provide an incentive for deal making. Counterbalancing this incentive, however, is the reality that revenues will be substantially lower, undermining the financial case for deals.

More fundamentally, the energy sector is undergoing a major transformation. The growing presence of small-scale oil producers, particularly in the US and Canada, makes consolidation costlier and less efficient than previous mergers involving oil majors.

Ambitious global emissions reduction targets, such as those in the Paris Agreement, could also cause global demand for energy to fall more rapidly, making energy companies wary of pursuing scale. China's shift from commodity to services sector investments could also dampen energy transactions.

As such, we expect a modest recovery in M&A activity in the next two years as oil prices rise, with activity peaking at US$222 billion in 2018, well short of the sector's high-water mark of US$399 billion in 2012.

#6 SECTOR

BASIC MATERIALS: WEAK OUTLOOK AMID GLOBAL OVERSUPPLY

The basic materials sector experienced a sharp slowdown in 2016 deal values, dropping to US$172 billion from US$227 billion in 2015. Global overcapacity in industrial products such as coal, raw metals and basic metals could encourage consolidation within these sectors. But this depends on buyers being able to close redundant facilities, and even then lower output prices will depress deal values.

As a result, we expect a modest rebound in basic materials M&A activity in 2017 as producers gain more certainty about prices. However, we forecast deal activity to decline in subsequent years, dropping to US$104 billion by 2020 in line with totals during the pre-commodity boom era.

GLOBAL M&A TRANSACTIONS BY SECTOR (US$B)

	2014	2015	2016	2017	2018	2019	2020
Basic materials	172	227	172	163	148	138	104
Consumer goods	462	481	483	450	504	428	347
Energy	326	293	164	175	222	207	162
Financials	495	575	540	476	578	538	440
Governmental services	0	1	0	0	0	0	0
Healthcare	77	175	85	113	148	152	139
Pharmaceuticals	269	320	220	225	297	290	266
Industrials	275	471	382	350	385	373	313
Technology	245	350	371	338	415	386	336
Telecommunications	99	304	130	150	193	179	151
Utilities	58	86	263	63	74	69	58
Total	**2,479**	**3,383**	**2,810**	**2,503**	**2,966**	**2,761**	**2,316**

IPO OUTLOOK

The outlook for domestic IPO transactions follows a similar pattern to M&A transactions, reflecting their shared fundamental drivers. The difference is that corporate decisions to go public and list on a stock market are even more sensitive to market volatility, as illustrated by the sharp pull-back in listings in the early months of 2016.

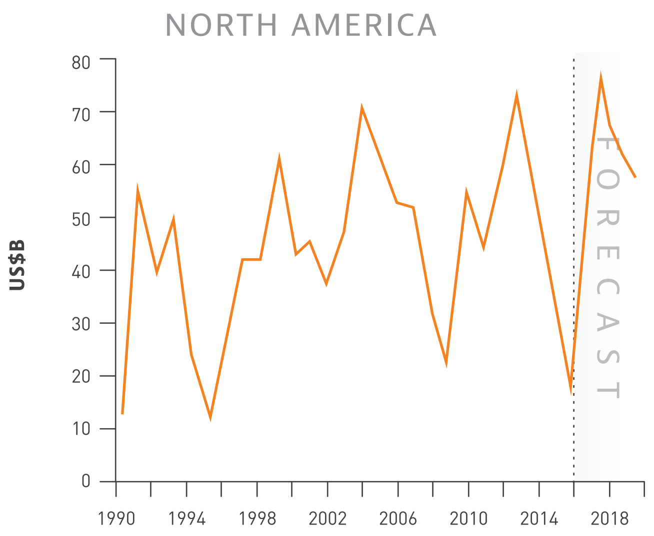
DOMESTIC IPO TRANSACTIONS

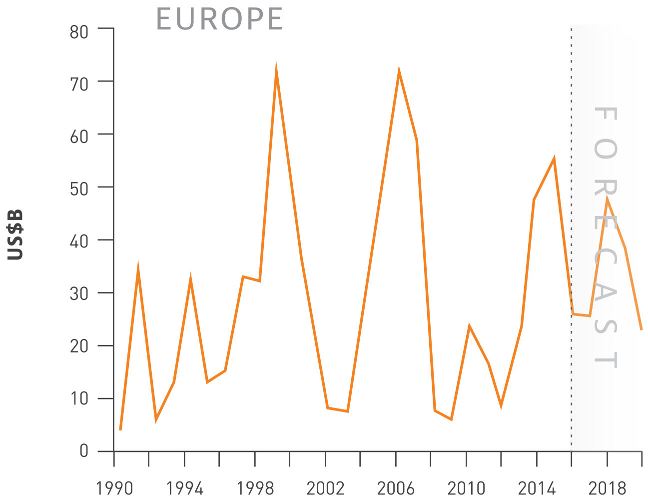
In **North America**, domestic IPOs slowed to US$17 billion in 2016, less than half the 2015 total, as companies shelved IPO plans amid financial market turbulence. On February 11, 2016, the VIX volatility index hit its highest point since the stock market's deep plunge in August 2015, with additional spikes later in the year as the US presidential campaign became more heated.

Contrary to expectations, however, the surprise election of Donald Trump did not cause a sell-off but a rally. By the end of the year, the S&P 500 index had risen to an all-time high, bolstered by hopes of substantial fiscal stimulus under the new US administration and less regulatory intervention.

We expect a particular uptick in technology IPOs in the near future led by Snapchat's mooted IPO. If successful, it would be the largest US-listed technology offering since Alibaba Group's IPO in 2014.

As volatility subsides and stock markets rise, we expect domestic IPOs to bounce back despite the attractiveness of alternative funding sources, such as debt markets, venture capital, private equity and a healthy banking sector. We forecast domestic IPO activity in North America to rise from US$17 billion in 2016 to hit an all-time record of US$76 billion by 2018.





Because of political uncertainty in the UK, domestic IPO proceeds in **Europe** slowed to US$26 billion in 2016, less than half the total for 2015. Domestic IPO values in the UK fell more sharply, to US$5.3 billion in 2016, down from US$14.6 billion in 2015.

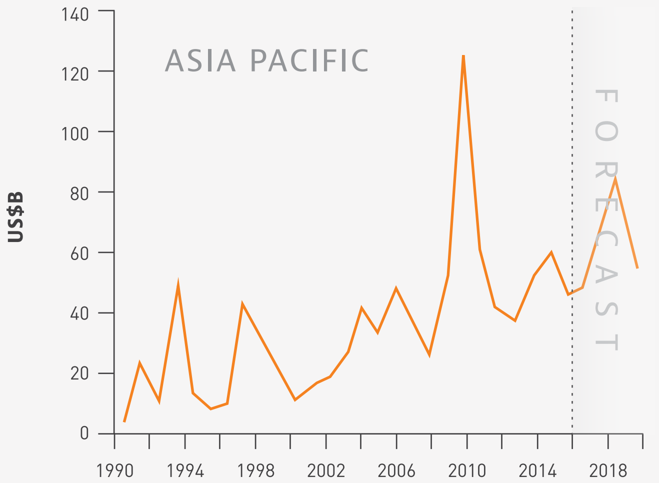
Looking ahead, we expect Eurozone IPO activity to rebound in 2017, backed by strong business investment and the European Central Bank's extension of quantitative easing. We forecast domestic IPOs in Europe to reach US$48 billion in 2018, with activity in the UK peaking a year later as the post-Brexit settlement becomes clearer.

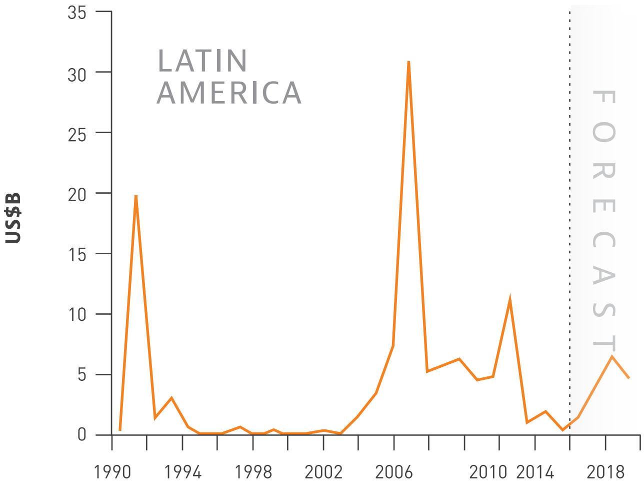
Within the Eurozone, countries such as Spain with the strongest economic recoveries will experience the greatest pickup in IPO activity. France and Germany, traditional centers of Eurozone IPO activity, will also rebound in the years ahead, to peaks of US$5 billion in France and US$4.5 billion in Germany.

Asia Pacific underwent a broad-based cooling in domestic IPOs in 2016, as worries about Chinese growth depressed confidence in East and Southeast Asia. That added to the earlier impact of slow world trade growth on Singapore's IPO activity and the commodity slowdown that dampened Australian IPO activity.

Domestic IPO activity in Asia Pacific dropped to US$47.5 billion in 2016, down from US$58.6 billion in 2015. Looking ahead, more stable financial conditions and rebounding world trade should encourage a renewed upturn starting in 2018, with regional proceeds expected to rise to US$83.5 billion by 2019.

Key centers of domestic IPO activity will be China, which is expected to peak at US$34.6 billion in 2019, and Japan, at US$13.8 billion the same year. India is forecast to continue to grow in importance within the region, peaking at an IPO value of $US4.8 billion in 2019.

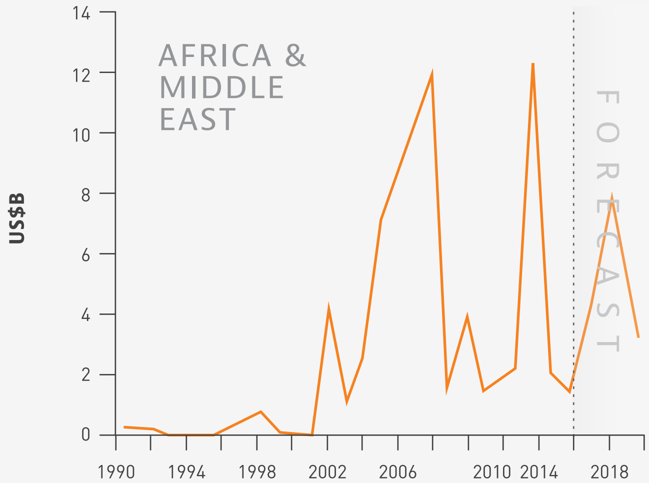




In **Latin America**, domestic IPO activity has been close to zero for the past three years, with listings in Brazil petering out and only Mexico showing any signs of life. Political developments in Brazil and Argentina increased risk aversion among corporate leaders and dampened IPO activity in 2016. But more recent developments show both countries moving toward more business-friendly policies.

Because of the region's weak economic outlook, however, we don't anticipate a significant recovery of domestic IPO activity until 2018 and 2019, when Latin America's economic growth will pick up to 2.5%. We forecast IPO proceeds to reach US$6.5 billion in 2019.

In **Africa and the Middle East**, fluctuating oil prices are a major driver of stock market performance and IPO activity. Consequently, listings in the region have been limited this year. We anticipate activity to pick up again as oil prices recover, reaching US$8.2 billion by 2019. On the other hand, this year could potentially see the listing of Saudi oil giant Aramco in what would be the biggest IPO in history.



Cross-border IPO activity has been limited to a handful of exchanges as companies seek to raise capital in deeper, better capitalized markets. Since 2004, 65-70% of all cross-border IPOs have taken place in just three jursidictions: Hong Kong, the US and the UK.

Hong Kong moved into pole position as the most popular destination for cross-border IPOs in 2015, a position it's likely to maintain in the years ahead as Hong Kong continues to attract major listings from companies in mainland China and the surrounding region.

US exchanges have typically attracted a broad client base for cross-border IPOs, encapsulating Asian, Latin American, European firms and internal cross-border issuance by Canadian companies in the US, and vice-versa.

UK listings have been popular among non-European companies in the US, Canada and Australia seeking to tap into European capital markets. But this position is at risk both from a regulatory perspective (i.e. whether UK financial services firms will have access to the European market), and the risk of further currency volatility as the UK detaches from Europe.

As a result, we forecast cross-border IPOs in the US and Europe to reach a cyclical peak in 2018, while the upswing will extend into 2019 in Asian stock markets.

Since 2004, 65-70% of all cross-border IPOs have taken place in just three jurisdictions: Hong Kong, the US and the UK.

DOMESTIC IPO TRANSACTIONS (US$B)

	2014	2015	2016	2017	2018	2019	2020
North America	60.5	40.1	16.7	50.5	75.8	63.5	57.0
% of world	35.2	25.2	18.1	39.3	37.6	31.6	38.8
Asia Pacific	50.8	58.6	47.5	47.7	67.4	83.5	59.8
% of world	29.6	36.9	51.4	37.2	33.4	41.5	40.7
Europe	46.9	56.1	26.3	25.2	48.2	39.4	21.9
% of world	27.3	35.3	28.5	19.6	23.9	19.6	14.9
Latin America	1.1	2.0	0.4	1.5	3.9	6.5	4.8
% of world	0.7	1.2	0.5	1.2	1.9	3.2	3.3
Africa & Middle East	12.4	2.1	1.5	3.5	6.1	8.2	3.3
% of world	7.2	1.3	1.6	2.7	3.0	4.1	2.3
Global Total	**171.7**	**158.9**	**92.4**	**128.3**	**201.4**	**201.1**	**147.0**

CROSS-BORDER IPO TRANSACTIONS (US$B)

	2014	2015	2016	2017	2018	2019	2020
Hong Kong*	24.3	21.2	19.4	19.1	29.2	36.0	19.9
% of world	23.3	46.8	50.4	46.3	41.5	48.4	47.4
United States	44.7	5.1	6.8	8.8	22.0	17.8	9.4
% of world	42.8	11.3	17.7	21.4	31.2	23.9	22.2
United Kingdom	8.6	5.2	1.6	3.7	4.6	5.7	4.4
% of world	8.2	11.4	4.2	8.8	6.5	7.6	10.4
Singapore	0.6	0.0	1.1	2.1	3.2	3.8	2.3
% of world	0.6	0.1	2.9	5.0	4.5	5.1	5.4
Germany	0.6	1.2	0.4	1.4	1.8	1.2	0.9
% of world	0.6	2.6	1.2	3.4	2.5	1.7	2.1
Global Total	**104.4**	**45.3**	**38.6**	**41.3**	**70.5**	**74.5**	**42.1**

*Data includes listings by companies based in mainland China.

POTENTIAL RISKS

Our forecast is based on the expectation that global transactions will continue to recover in the next two years amid stronger global economic growth, a rebound in commodity prices, and a gradual rise in interest rates.

—

However, a number of economic and political risks could disrupt the global recovery, causing a drop in M&A and IPO activity. Those **downside risk scenarios** include:

THE NEW US ADMINISTRATIONS PURSUES PROTECTIONISM

If the new US administration adopts protectionist trade policies, fails to implement a fiscal stimulus package, and proceeds with immigration curbs and deportations that result in labor shortages, the US economy could weaken. Against a backdrop of heightened uncertainty, transactional activity could fall.

THE CHINESE GOVERNMENT EASES GROWTH TARGET

If the Chinese government decides to slow credit growth to more sustainable long-term rates, fixed investment in China, particularly in the real estate sector, would fall sharply. Slower growth in China would undermine global commodity demand and prices, as well as manufactured goods trade, resulting in exchange rate volatility and a drag on world growth.

A DISORDERLY BREXIT EXPOSES EUROZONE VULNERABILITIES

If it becomes apparent that the UK government is unable to attain favorable trading relations with the EU member states, private spending could grow more slowly than expected. UK and Eurozone consumers and businesses could also prove to be more sensitive to the price impacts of exchange rate movements and new trade tariffs. If so, Brexit could weaken consumer spending and investment across Europe more than expected, dampening M&A and IPO activity.

On the other hand, the emergence of some **upside risk scenarios** could lead to higher-than-expected transactional activity in key markets. Those include:

THE NEW US ADMINISTRATION PURSUES GROWTH-FRIENDLY POLICIES

If President Trump adopts a less protectionist stance than during the campaign, limits the increase in deportations, and pursues initiatives to deregulate the economy, the US economy could grow more quickly than the baseline. That could spill over into wider world growth and push transactional activity higher than our forecast.

ADVANCED ECONOMIES IMPLEMENT FISCAL STIMULUS

Because of cuts to public investment in the US and Europe during the austerity era, the need for infrastructure investment has become urgent. If these governments take advantage of historically low interest rates to pursue major infrastructure investments, that would boost employment and transactions in sectors like construction in the US and Europe. It would also stimulate growth in other countries producing the necessary commodities and manufactured goods for these projects. As a result, we could see higher levels of transactional activity than predicted.

CONCLUDING REMARKS

The outlook presented in this report reveals that investors are likely to remain apprehensive about deal making into 2017 amid major uncertainties about the new relationship between the UK and Europe, and the US and the rest of the world.

But assuming that common sense solutions prevail, with global trade and investment frameworks remaining supportive of the flow of goods, services and capital, new windows of opportunity for M&A and IPO activity should open around the world.

Our forecast shows transactional activity rebounding in 2018 in developed markets, and a year later in emerging markets. We forecast that global M&A deals will drop slightly from US$2.7 trillion in 2016 to US$2.5 trillion in 2017, then peak at US$3 trillion in 2018. Global aggregates for M&A will drop slightly in 2019 and 2020, as US interest rates approach equilibrium, and global equity valuations start to cool.

Global IPO activity will follow a similar trajectory, with total proceeds more than doubling from US$131 billion in 2016 to a peak of US$275 billion in 2018 and 2019.

North America will continue to be the largest market for M&A transactions, accounting for 50% of global deal making by value from 2016 to 2018. But growth is likely to be higher in **Europe** over the next few years, as its M&A cycle is at an earlier stage, the economy is strengthening and monetary policy remains supportive.

Despite recent volatility, **Asia Pacific** companies still have a strong appetite for acquisitions, which should spur a resurgence of deal making in 2018 and 2019. Asia Pacific also continues to be an attractive target for foreign buyers looking to gain a foothold in economies with faster growth potential than in other markets.

The outlook for M&A and IPO activity in **Latin America** will remain challenging as the region grapples with low commodity prices, slower economic growth and political instability. We do not expect a significant recovery of deal making until 2018 and 2019 when the region's economic outlook improves.

We also expect deal making to remain subdued in **Africa** and the **Middle East**. A broader-based recovery in transactional activity is unlikely until 2018, but should start to improve when commodity prices firm.

Barring further shocks to confidence, investor focus will shift from short-term uncertainty toward the longer-term needs of households and businesses. Value will become more apparent in sectors such as energy and industrials that have seen the greatest falls in prices. With massive cash reserves sitting on corporate balance sheets and private equity dry powder near record levels, investors will have the firepower they need to pursue acquisitions.

APPENDIX

APPENDIX A: TRANSACTION ATTRACTIVENESS INDICATOR

In addition to our M&A and IPO forecasts, we created a Transaction Attractiveness Indicator that rates the attractiveness of a country's current environment for M&A and IPO activity on a scale from 0 to 10. That score is based on past transactional activity in each country and a weighted average of 10 key economic, financial and regulatory factors that drive M&A and IPO activity.

We designed the individual country scores to measure investment attractiveness relative to the overall size of the domestic economy to allow smaller markets with positive transactions environments to punch above their weight. The key factors included in the score are the country's economic growth, stock market size, size of the economy, openness to trade, sovereign credit risk, political stability, ease of doing business, legal structure, freedom to trade, and business regulation.

RANK	COUNTRY	SCORE
1	Hong Kong	9.2
2	Singapore	8.9
3	Switzerland	7.6
4	Netherlands	7.3
5	Sweden	7.1
6	United Kingdom	6.6
7	Belgium	6.5
7	United Arab Emirates	6.5
9	Canada	6.4
10	Australia	6.1
10	Japan	6.1
10	Malaysia	6.1
13	Austria	5.9
14	Germany	5.7
14	United States	5.7
16	France	5.5
17	Chile	5.1
18	South Korea	5.0
19	Spain	4.5

RANK	COUNTRY	SCORE
20	Poland	4.4
21	Saudi Arabia	4.3
22	Italy	4.1
23	South Africa	3.9
24	Thailand	3.8
25	Peru	3.6
25	China	3.6
27	Mexico	3.3
28	Vietnam	3.0
29	Colombia	2.9
30	Turkey	2.7
31	Russia	2.6
32	Indonesia	2.2
33	India	2.1
34	Brazil	1.8
35	Nigeria	1.5
36	Egypt	1.3
37	Argentina	1.2

APPENDIX B: COUNTRY FORECASTS

NORTH AMERICA: M&A TRANSACTIONS (US$B)

		2014	2015	2016	2017	2018	2019	2020
United States	Domestic Cross-Border*	903.2 209.8	1,251.5 274.4	916.3 392.7	946.3 253.8	1,049.2 264.9	893.1 179.4	766.7 117.3
Canada	Domestic Cross-Border	56.4 43.7	60.5 24.4	28.2 20.3	32.2 21.2	41.4 39.4	38.7 37.8	38.4 35.2
Regional Total	**Domestic** **Cross-Border**	**959.6** **253.5**	**1,312.0** **298.7**	**944.5** **413.0**	**978.5** **275.0**	**1,090.6** **304.3**	**931.9** **217.2**	**805.1** **152.5**

EUROPE: M&A TRANSACTIONS (US$B)

		2014	2015	2016	2017	2018	2019	2020
Austria	Domestic Cross-Border	1.5 4.1	0.5 2.8	0.9 2.0	0.8 4.1	1.2 6.4	0.9 6.4	0.9 5.3
Belgium	Domestic Cross-Border	0.7 2.8	1.6 10.0	0.4 15.4	1.1 11.2	1.4 16.2	0.9 14.9	0.7 11.8
France	Domestic Cross-Border	49.8 44.3	26.1 72.3	16.4 30.6	31.6 38.5	43.9 48.1	37.0 40.6	31.0 36.2
Germany	Domestic Cross-Border	13.5 62.8	24.7 47.0	13.1 27.6	27.9 58.1	35.4 71.1	31.6 73.9	29.7 67.7
Italy	Domestic Cross-Border	6.0 23.2	7.3 25.4	22.1 31.3	10.3 14.0	14.8 15.9	13.3 11.1	11.3 7.4
Netherlands	Domestic Cross-Border	1.5 20.4	8.6 33.6	6.6 18.9	11.0 37.1	13.6 48.0	11.1 47.3	9.2 33.1
Poland	Domestic Cross-Border	2.5 8.9	1.4 5.0	1.9 1.4	2.1 3.2	2.5 4.7	2.9 5.3	1.7 4.1
Russia	Domestic Cross-Border	21.3 5.2	8.5 8.2	14.3 7.5	14.6 4.6	26.6 4.6	30.5 5.2	23.4 4.2
Spain	Domestic Cross-Border	12.9 29.5	14.2 23.2	8.9 20.7	13.7 17.4	16.6 25.3	15.9 23.5	13.6 22.7
Sweden	Domestic Cross-Border	2.8 13.0	2.2 12.2	2.4 10.1	2.2 12.4	2.5 17.8	1.7 16.6	1.4 13.7
Switzerland	Domestic Cross-Border	24.0 22.9	67.9 31.4	2.2 10.6	20.9 24.1	24.7 26.4	17.7 23.2	14.9 19.2
Turkey	Domestic Cross-Border	7.6 3.7	3.6 6.3	1.0 5.0	4.6 4.2	6.8 6.5	7.9 8.3	4.3 7.3
United Kingdom	Domestic Cross-Border	61.9 65.0	32.2 108.1	48.3 292.0	32.9 92.0	41.3 94.1	50.0 94.8	61.9 88.4
Regional Total	**Domestic** **Cross-Border**	**240.0** **381.4**	**361.8** **515.0**	**146.0** **513.4**	**190.2** **394.1**	**257.8** **490.9**	**245.1** **457.0**	**221.6** **389.3**

*Cross-border data represents inbound activity only.

ASIA PACIFIC: M&A TRANSACTIONS (US$B)

		2014	2015	2016	2017	2018	2019	2020
Australia	Domestic	38.4	41.3	36.8	47.8	60.7	70.8	64.3
	Cross-Border	35.3	30.6	17.4	27.9	40.0	45.9	36.1
China	Domestic	156.4	326.2	361.1	187.5	206.7	218.3	214.9
	Cross-Border	26.8	31.8	15.9	34.1	44.3	53.2	41.9
India	Domestic	6.1	12.8	7.2	14.7	19.6	22.6	17.2
	Cross-Border	11.6	10.6	10.3	13.8	22.5	26.8	21.6
Indonesia	Domestic	2.6	02	4.5	2.9	3.5	4.0	2.6
	Cross-Border	2.7	3.7	2.1	6.5	9.2	11.1	9.4
Japan	Domestic	52.7	61.6	75.7	75.7	82.7	72.3	57.8
	Cross-Border	12.3	7.5	27.7	13.7	15.6	16.0	9.4
Hong Kong	Domestic	9.6	68.4	13.0	15.5	18.1	18.9	11.3
	Cross-Border	28.5	39.9	18.5	25.6	30.5	32.0	25.5
Malaysia	Domestic	3.9	4.4	2.5	6.6	11.4	14.4	11.1
	Cross-Border	3.0	2.7	4.7	4.6	5.4	5.5	3.6
Singapore	Domestic	15.9	9.3	10.3	10.3	13.6	16.0	11.6
	Cross-Border	9.3	10.1	8.0	8.3	9.1	10.5	7.7
South Korea	Domestic	39.6	57.1	30.3	38.9	43.2	46.1	34.3
	Cross-Border	16.7	8.2	2.4	9.8	11.3	11.8	7.9
Thailand	Domestic	2.1	4.4	5.5	5.6	6.1	6.4	3.6
	Cross-Border	1.8	0.9	2.0	1.9	3.3	3.5	2.5
Vietnam	Domestic	0.6	1.1	1.2	1.3	1.4	1.5	0.8
	Cross-Border	0.1	1.0	3.4	0.5	0.6	0.7	0.6
Regional Total	**Domestic**	**334.3**	**594.1**	**557.3**	**414.8**	**477.8**	**502.9**	**438.0**
	Cross-Border	**158.0**	**152.4**	**123.3**	**151.3**	**197.8**	**223.7**	**171.3**

LATIN AMERICA: M&A TRANSACTIONS (US$M)

		2014	2015	2016	2017	2018	2019	2020
Argentina	Domestic	5,498	469	1,327	725	856	956	879
	Cross-Border	2,478	133	1,965	854	1,411	1,971	1,860
Brazil	Domestic	24,013	23,790	7,528	11,678	26,183	38,319	34,171
	Cross-Border	20,428	16,464	14,157	10,959	16,742	21,349	15,124
Chile	Domestic	555	1,418	15,149	1,459	1,814	2,053	1,731
	Cross-Border	12,902	3,508	4,674	2,939	4,836	6,176	4,253
Colombia	Domestic	1,240	1,189	1,221	2,040	2,570	2,793	2,100
	Cross-Border	1,434	259	3,031	951	1,952	3,914	2,572
Mexico	Domestic	4,853	8,684	3,855	7,705	10,806	12,470	10,728
	Cross-Border	6,828	9,544	7,012	10,349	12,430	13,924	10,885
Peru	Domestic	593	607	10	468	907	1,143	604
	Cross-Border	16,695	1,670	3,526	1,703	2,297	2,546	1,814
Regional Total	**Domestic**	**39,031**	**40,005**	**29,906**	**27,052**	**48,540**	**65,024**	**56,172**
	Cross-Border	**70,035**	**47,825**	**45,623**	**42,912**	**61,474**	**77,359**	**56,505**

AFRICA & MIDDLE EAST: M&A TRANSACTIONS (US$M)

		2014	2015	2016	2017	2018	2019	2020
Egypt	Domestic	336	704	1,514	835	1,076	1,469	977
	Cross-Border	488	1,132	563	1,710	2,504	2,930	2,822
Nigeria	Domestic	4,973	847	1	948	1,592	1,749	920
	Cross-Border	1,407	2,523	1,202	1,945	2,721	2,948	2,432
Saudi Arabia	Domestic	279	770	607	822	909	996	605
	Cross-Border	468	772	483	819	858	1,007	649
South Africa	Domestic	2,969	8,163	1,032	4,381	6,307	7,106	3,098
	Cross-Border	1,145	21,544	9,691	1,110	1,875	1,995	955
UAE	Domestic	1,355	7,017	605	4,126	4,281	4,489	3,448
	Cross-Border	798	2,223	1,828	753	828	929	774
Regional Total	**Domestic**	**19,160**	**24,429**	**5,602**	**15,707**	**19,551**	**21,834**	**12,708**
	Cross-Border	**23,994**	**36,931**	**31,448**	**13,249**	**17,079**	**18,701**	**13,378**

GLOBAL M&A TRANSACTIONS BY SECTOR (US$B)

	2014	2015	2016	2017	2018	2019	2020
Basic materials	172	227	172	163	148	138	104
Consumer goods	462	481	483	450	504	428	347
Energy	326	293	164	175	222	207	162
Financials	495	575	540	476	578	538	440
Governmental services	0	1	0	0	0	0	0
Healthcare	77	175	85	113	148	152	139
Pharmaceuticals	269	320	220	225	297	290	266
Industrials	275	471	382	350	385	373	313
Technology	245	350	371	338	415	386	336
Telecommunications	99	304	130	150	193	179	151
Utilities	58	86	263	63	74	69	58
Total	**2,479**	**3,383**	**2,810**	**2,503**	**2,966**	**2,761**	**2,316**

NORTH AMERICA: M&A TRANSACTIONS (# OF DEALS)

		2014	2015	2016	2017	2018	2019	2020
United States	Domestic Cross-Border*	7,253 1,427	7,452 1,526	5,947 1,281	6,741 1,287	7,474 1,253	6,363 966	5,798 865
Canada	Domestic Cross-Border	860 491	725 496	578 352	506 401	651 572	608 565	603 525
Regional Total	**Domestic** **Cross-Border**	**8,113** **1,918**	**8,177** **2,022**	**6,525** **1,633**	**7,247** **1,687**	**8,125** **1,825**	**6,971** **1,532**	**6,401** **1,390**

EUROPE: M&A TRANSACTIONS (# OF DEALS)

		2014	2015	2016	2017	2018	2019	2020
Austria	Domestic Cross-Border	48 63	61 73	37 63	59 70	68 77	50 77	48 64
Belgium	Domestic Cross-Border	70 125	90 164	59 103	68 128	88 144	56 133	44 105
France	Domestic Cross-Border	1,578 410	2,022 496	1,430 397	1,740 445	1,964 464	1,656 412	1,385 377
Germany	Domestic Cross-Border	745 586	726 569	485 504	687 545	825 600	737 686	692 628
Italy	Domestic Cross-Border	272 249	349 325	309 270	290 250	350 273	316 205	269 154
Netherlands	Domestic Cross-Border	202 222	208 292	178 269	246 290	286 304	233 300	193 230
Poland	Domestic Cross-Border	214 149	375 221	221 128	226 121	266 138	304 168	218 143
Russia	Domestic Cross-Border	1,236 279	1,057 277	845 216	1,202 253	1,539 249	1,653 274	1,158 225
Spain	Domestic Cross-Border	451 402	475 415	234 275	393 273	452 353	433 329	369 317
Sweden	Domestic Cross-Border	257 180	257 178	245 143	341 160	383 182	257 170	290 150
Switzerland	Domestic Cross-Border	186 115	158 132	123 105	211 98	240 107	182 94	164 78
Turkey	Domestic Cross-Border	167 97	166 88	60 49	151 78	157 103	175 112	95 98
United Kingdom	Domestic Cross-Border	1,382 831	1,358 926	859 748	905 612	915 579	1,6107 627	1,470 782
Regional Total	**Domestic** **Cross-Border**	**7,512** **4,658**	**8,025** **5,166**	**5,645** **4,175**	**7,262** **4,215**	**8,416** **4,621**	**8,052** **4,569**	**7,092** **4,219**

*Cross-border data represents inbound activity only.

ASIA PACIFIC: M&A TRANSACTIONS (# OF DEALS)

		2014	2015	2016	2017	2018	2019	2020
Australia	Domestic Cross-Border	580 343	530 334	417 256	502 375	586 447	628 482	570 384
China	Domestic Cross-Border	1,457 313	1,660 250	2,064 258	1,260 199	1,440 276	1,520 332	1,497 257
India	Domestic Cross-Border	417 267	507 306	358 195	507 279	536 357	542 374	413 302
Indonesia	Domestic Cross-Border	26 66	13 58	25 45	20 59	24 85	27 104	17 88
Japan	Domestic Cross-Border	1,372 167	1,493 156	1,394 111	1,597 149	1,745 168	1,525 172	1,267 117
Hong Kong	Domestic Cross-Border	168 146	180 151	220 174	148 165	174 187	181 190	109 152
Malaysia	Domestic Cross-Border	230 91	259 72	183 71	333 80	421 95	502 97	390 64
Singapore	Domestic Cross-Border	162 145	139 149	122 126	167 128	173 139	185 154	121 116
South Korea	Domestic Cross-Border	755 145	843 145	750 84	761 97	789 113	813 119	605 100
Thailand	Domestic Cross-Border	67 46	47 33	41 43	66 51	69 60	72 64	40 45
Vietnam	Domestic Cross-Border	183 53	303 69	289 84	258 62	277 68	281 71	152 60
Regional Total	**Domestic Cross-Border**	**5,699 1,975**	**6,162 1,899**	**6,059 1,593**	**5,787 1,794**	**6,470 2,177**	**6,538 2,356**	**5,365 1,835**

LATIN AMERICA: M&A TRANSACTIONS (# OF DEALS)

		2014	2015	2016	2017	2018	2019	2020
Argentina	Domestic	28	28	22	22	26	29	26
	Cross-Border	39	28	27	35	55	68	62
Brazil	Domestic	207	192	135	206	231	252	230
	Cross-Border	233	296	180	265	393	469	342
Chile	Domestic	36	37	38	36	45	51	43
	Cross-Border	51	65	55	46	65	75	57
Colombia	Domestic	22	19	12	21	26	28	21
	Cross-Border	46	36	36	47	65	64	42
Mexico	Domestic	75	89	52	86	121	139	120
	Cross-Border	75	85	50	90	107	118	97
Peru	Domestic	26	21	13	22	29	34	19
	Cross-Border	38	37	31	44	55	58	43
Regional Total	**Domestic**	**423**	**420**	**297**	**432**	**529**	**593**	**505**
	Cross-Border	**616**	**670**	**467**	**649**	**916**	**1,055**	**796**

AFRICA & MIDDLE EAST: M&A TRANSACTIONS (# OF DEALS)

		2014	2015	2016	2017	2018	2019	2020
Egypt	Domestic	38	30	31	12	16	22	15
	Cross-Border	22	54	34	53	57	58	48
Nigeria	Domestic	16	16	5	18	19	21	14
	Cross-Border	19	25	23	18	21	23	19
Saudi Arabia	Domestic	23	22	21	26	28	31	19
	Cross-Border	16	21	14	18	19	24	17
South Africa	Domestic	111	126	70	119	171	184	106
	Cross-Border	70	85	45	71	103	111	80
UAE	Domestic	29	27	32	23	27	31	27
	Cross-Border	47	55	38	48	51	53	47
Regional Total	**Domestic**	**395**	**371**	**263**	**322**	**418**	**462**	**289**
	Cross-Border	**451**	**518**	**354**	**471**	**560**	**598**	**441**

NORTH AMERICA: DOMESTIC IPOs (US$B)

	2014	2015	2016	2017	2018	2019	2020
United States	56.0	35.3	16.2	46.1	68.6	56.5	50.4
Canada	4.5	4.7	0.5	4.4	7.2	7.1	6.6
Regional Total	**60.5**	**40.1**	**16.7**	**50.5**	**75.8**	**63.5**	**57.0**

EUROPE: DOMESTIC IPOs (US$B)

	2014	2015	2016	2017	2018	2019	2020
Austria	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	0.8	0.4	0.0	0.5	1.0	0.8	0.3
France	3.7	5.5	0.5	2.2	5.0	4.0	2.2
Germany	4.1	6.7	5.3	3.0	4.5	2.7	1.4
Italy	3.5	5.4	1.6	2.0	3.3	1.8	1.1
Netherlands	3.6	7.0	2.7	1.7	5.3	3.6	1.3
Poland	0.4	0.3	0.3	0.7	1.6	2.1	1.5
Russia	1.1	0.2	0.0	0.5	1.5	2.0	0.4
Spain	3.6	8.9	0.2	3.6	6.6	4.4	2.5
Sweden	2.6	5.2	2.5	2.0	3.1	2.1	1.4
Switzerland	1.7	0.0	0.9	0.5	0.9	0.6	0.3
Turkey	0.3	0.0	0.1	1.1	2.0	2.2	1.4
United Kingdom	17.5	14.6	5.3	4.6	7.5	9.2	6.1
Regional Total	**46.9**	**56.1**	**26.3**	**25.2**	**48.2**	**39.4**	**21.9**

ASIA PACIFIC: DOMESTIC IPOs (US$B)

	2014	2015	2016	2017	2018	2019	2020
Australia	12.1	5.5	4.1	3.2	6.0	6.7	5.2
China	12.7	24.6	23.8	14.1	24.4	34.6	28.0
India	0.3	2.1	4.0	5.8	3.9	4.8	3.8
Indonesia	0.6	0.6	1.0	1.2	2.0	2.5	1.8
Japan	10.2	15.1	7.5	11.1	13.1	13.8	8.4
Hong Kong*	4.6	2.4	1.6	4.1	5.1	5.9	4.5
Malaysia	1.3	1.2	0.2	1.3	2.2	2.8	1.8
Singapore	2.1	0.4	1.2	1.0	2.0	2.6	1.5
South Korea	1.0	1.8	1.6	1.1	1.1	1.2	0.9
Thailand	2.7	3.5	1.1	2.6	4.4	5.0	2.2
Vietnam	0.4	0.1	0.2	0.4	0.7	0.9	0.3
Regional Total	**50.8**	**58.6**	**47.5**	**47.7**	**67.4**	**83.5**	**59.8**

*Data reflects listings by Hong Kong-based companies only.

LATIN AMERICA: DOMESTIC IPOs (US$M)

	2014	2015	2016	2017	2018	2019	2020
Argentina	15	0	32	0	120	184	92
Brazil	172	193	215	405	2,127	3,973	3,059
Chile	0	0	0	0	46	284	126
Colombia	0	0	0	0	123	255	113
Mexico	942	1,764	179	1,078	1,508	1,813	1,440
Peru	0	0	0	0	0	0	0
Regional Total	**1,128**	**1,957**	**427**	**1,483**	**3,924**	**6,509**	**4,830**

AFRICA & MIDDLE EAST: DOMESTIC IPOs (US$M)

	2014	2015	2016	2017	2018	2019	2020
Egypt	126	2151	162	431	527	640	273
Nigeria	651	0	0	0	197	477	198
Saudi Arabia	6,409	1,107	242	1,181	2,565	3,285	1,784
South Africa	823	477	719	515	650	799	178
UAE	2,909	0	0	542	937	1,442	157
Regional Total	**12,409**	**2,113**	**1,478**	**3,514**	**6,118**	**8,187**	**3,342**

CROSS-BORDER IPO TRANSACTIONS (US$B)

	2014	2015	2016	2017	2018	2019	2020
Hong Kong*	24.3	21.2	19.4	19.1	29.2	36.0	19.9
Singapore	0.6	0.0	1.1	2.1	3.2	3.8	2.3
United Kingdom	8.6	5.2	1.6	3.7	4.6	5.7	4.4
United States	44.7	5.1	6.8	8.8	22.0	17.8	9.4
Total	**78.2**	**31.6**	**29.0**	**33.7**	**59.1**	**63.3**	**35.9**

*Data includes listings by companies based in mainland China.

APPENDIX C: METHODOLOGY

To arrive at our forecasts for M&A and IPO activity by region, country and sector, we commissioned Oxford Economics to develop modeling techniques that relate historic changes in transactions flows to key structural and cyclical drivers. As part of that modelling approach, we employed a "panel data" construct that allowed us to model the impact of nine cyclical and structural explanatory variables (listed below) on M&A and IPO activity over time.

In estimating global transactional activity, we used data on completed deals rather than announced deal values, which are more typically reported in the media. From an analytical modeling perspective, it makes more sense to use completed deals for forecasting as it reflects the actual outcome. Additionally, we employed one regression equation using data for all 37 countries in our sample, thus allowing us to use variations in the data across time and countries. The panel data approach helps us account for many of the structural variables we wish to include (such as business environment measures), that change slowly over time. This approach also enables us to control for variables we cannot observe or measure, such as cultural factors.

We found that estimating global transactional activity separately for emerging markets and developed economies yielded better results. This likely reflects the fact that investors give different weightings to the factors that influence their transaction decisions when investing in developed economies versus emerging markets. When calculating our estimations, we grouped countries according to standard IMF classifications. We used the same approach for domestic and cross-border transactions.

EXPLANATORY VARIABLES

CYCLICAL VARIABLES

- **Stock market capitalization – local stock market capitalization/GDP**
- **Trade/GDP**
- **M2 (money supply/GDP)**
- **Equity prices**
- **Spread between 10-year government bonds in domestic market versus the US 10-year government bond**
- **US VIX Equity Index**
- **Current account balance/GDP**

STRUCTURAL VARIABLES

- **Legal structure and property rights**
- **Freedom to trade**

Baker McKenzie helps clients overcome the challenges of competing in the global economy.

We solve complex legal problems across borders and practice areas. Our unique culture, developed over 65 years, enables our 13,000 people to understand local markets and navigate multiple jurisdictions, working together as trusted colleagues and friends to instil confidence in our clients.

www.bakermckenzie.com