

# Corporate Transaction Trends

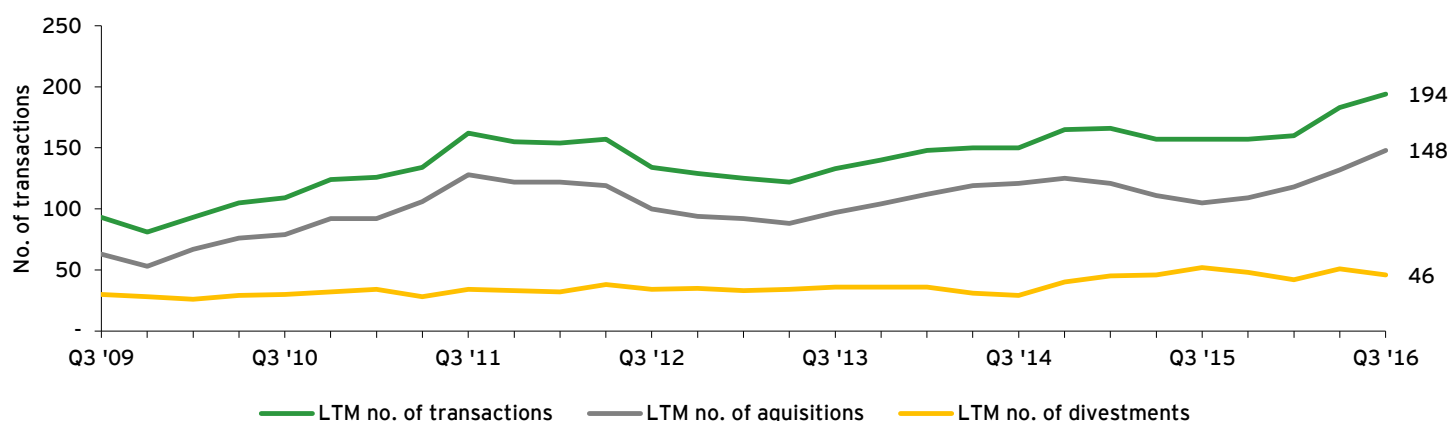
Transaction  
Advisory Services  
Quarter 3 2016

Transactions by  
Sweden's largest  
companies

## Strong deal activity driven by acquisitions

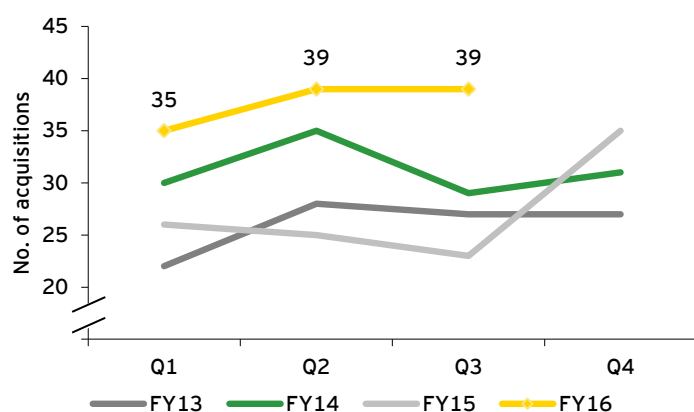
- ▶ Corporate Transaction Trends - a quarterly publication that aims to identify trends in the level and direction of transactions completed by Sweden's largest companies - reports a continued strong momentum in transaction activity in the third quarter of 2016.
- ▶ Large Swedish companies completed 47 transactions in Q3 2016, a 15% decrease compared to the 55 transactions closed in Q2 2016, but significantly higher than the 36 transactions completed during the third quarter of 2015.
- ▶ The decrease in activity compared to Q2 2016 is in line with the general seasonal pattern with lower activity in the third quarter, and was solely attributable to a decrease in the number of divestments - 8 in Q3 2016, down from 16 in the previous quarter - whereas the number of acquisitions was unchanged compared to Q2.
- ▶ The strength in the transaction market in Q3 represents a continuation of the accelerated momentum that was seen in the second quarter.
- ▶ On an LTM basis, the number of completed transactions (194) corresponds to a 6% increase compared to the LTM number in Q2 2016, and a further narrowing of the gap to the record levels seen before the financial crisis in 2008/09, when the number of completed transactions peaked at 206 on an annual basis.
- ▶ As always, there are a number of uncertainties that could affect the global economy and financial markets, which would impact Swedish deal activity. However, as discussed in this quarter's *Hot topic*, these issues do not seem to have a significant impact on senior executives' expectations of M&A activity going forward.
- ▶ Based on the strong momentum in corporate transactions - both on a national and international level - and with support from a number of announced transactions completed in Q4 2016, we see a high probability that our projection from the beginning of the year of 180 completed transactions in 2016 will be exceeded.

## Rolling last twelve months (LTM) transactions

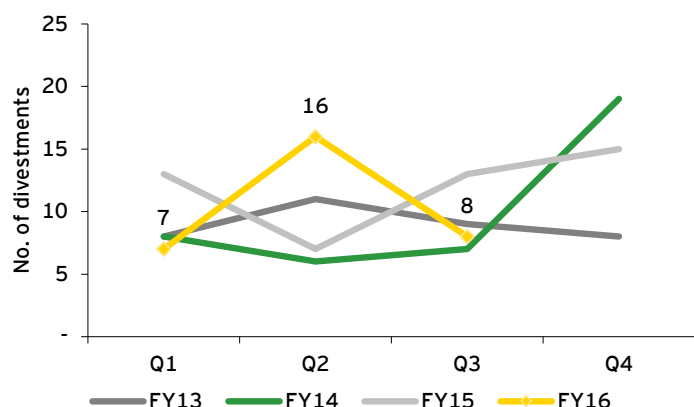


# Quarterly data

## Year on year quarterly acquisitions



## Year on year quarterly divestments



- ▶ Atlas Copco's acquisition of Oerlikon Leybold Vacuum, the Germany-based vacuum business segment of OC Oerlikon, and Nibe's acquisition of the US-based LSB Industries' Climate Control business were the largest acquisitions in Q3 2016 ranked by Enterprise Value.
- ▶ In terms of divestments, Mylan's completion of its public buy-out of Meda was clearly the largest transaction during the quarter ranked by Enterprise Value, followed by Trelleborg's divestment of 50% of Vibracoustic.
- ▶ The Nordic region accounted for 44% of the acquisitions completed in Q3 2016, down from 49% in the previous quarter. The Nordic share of divestments was down from 56% in Q2 2016 to 50% in Q3 2016.
- ▶ The share of transactions completed in Western Europe increased to 28% and 50% of total acquisitions and divestments, respectively, and the US share of total acquisitions increased to 18% in Q3 2016, from 5% in Q2 2016.
- ▶ Manufacturing and construction was the most active sector, representing 51% of acquisitions and 25% of divestments in the third quarter.

## Q3 2016 - largest transactions (ranked by Enterprise Value)

Date	Target	Seller	Buyer	Enterprise Value ( 100% )	Target Turnover
				M€	M€
<b>Acquisitions</b>					
2016-09	Oerlikon Leybold Vacuum	OC Oerlikon	<b>Atlas Copco</b>	~485	~360
2016-07	Climate Control Group	LSB Industries	<b>Nibe</b>	~320	~250
2016-08	Noranda USA	Noranda Aluminum	<b>Gränges</b>	~290	~590
<b>Divestments</b>					
2016-08	Meda	<b>Public</b>	Mylan	~8,840	~2,140
2016-07	Vibracoustic	<b>Trelleborg</b>	Freudenberg	~1,800	~1,940
2016-09	Stora Enso (Kabel coated mechanical paper mill)	<b>Stora Enso</b>	Hagen-Kabel Pulp & Paper	~25	~300

Only includes transactions for which an Enterprise Value has been reported or otherwise possible to derive

# Size and sector

## LTM and 2015 - by size

Acquisitions						
Target Turnover	Q4'15	Q1'16	Q2'16	Q3'16	LTM	2015
under M€ 20	17	15	21	22	75	54
M€ 20 - 100	14	15	12	12	53	43
over M€ 100	4	5	6	5	20	12
<b>Total</b>	<b>35</b>	<b>35</b>	<b>39</b>	<b>39</b>	<b>148</b>	<b>109</b>

Divestments						
Target Turnover	Q4'15	Q1'16	Q2'16	Q3'16	LTM	2015
under M€ 20	3	1	3	1	8	9
M€ 20 - 100	8	3	7	3	21	27
over M€ 100	4	3	6	4	17	12
<b>Total</b>	<b>15</b>	<b>7</b>	<b>16</b>	<b>8</b>	<b>46</b>	<b>48</b>

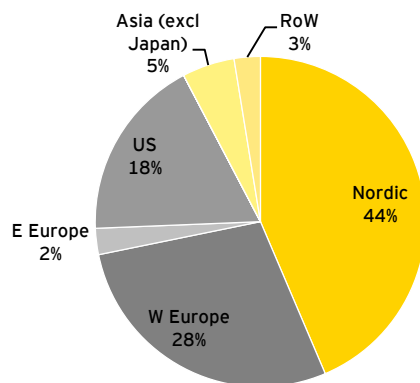
## Q3 2016 and LTM - by industry sector and size

	Target Turnover	Q3'16		LTM	
Industry sector	Band	Acquisitions	Divestments	Acquisitions	Divestments
Basic industries	under M€ 20	1	-	2	2
	M€ 20 - 100	-	-	3	4
	over M€100	-	2	2	4
Manufacturing and construction	under M€ 20	13	-	44	-
	M€ 20 - 100	6	1	21	6
	over M€100	1	1	3	6
Retail and consumer goods	under M€ 20	2	-	4	1
	M€ 20 - 100	4	-	11	2
	over M€100	3	-	6	1
Finance and real estate	under M€ 20	2	1	3	3
	M€ 20 - 100	-	-	6	4
	over M€100	-	-	4	2
Healthcare	under M€ 20	1	-	3	-
	M€ 20 - 100	-	-	5	-
	over M€100	-	1	3	1
TMT	under M€ 20	1	-	8	2
	M€ 20 - 100	-	-	5	2
	over M€100	1	-	1	3
Services	under M€ 20	2	-	11	-
	M€ 20 - 100	2	2	2	3
	over M€100	-	-	1	-
Total	under M€ 20	22	1	75	8
	M€ 20 - 100	12	3	53	21
	over M€100	5	4	20	17
Total		39	8	148	46

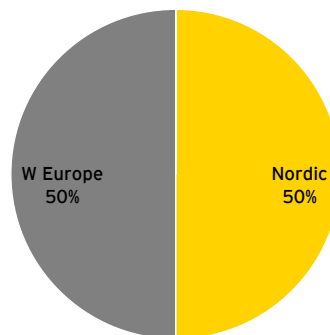
# Geographic region

## Q3 2016 - by geographic region

### Acquisitions

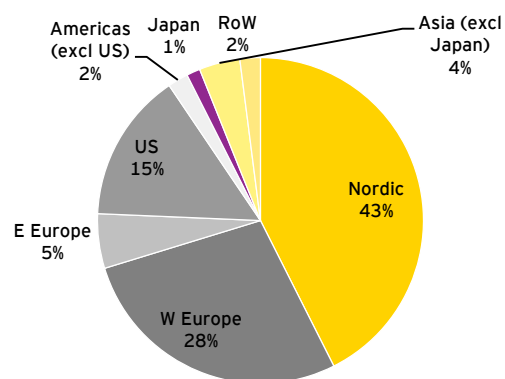


### Divestments

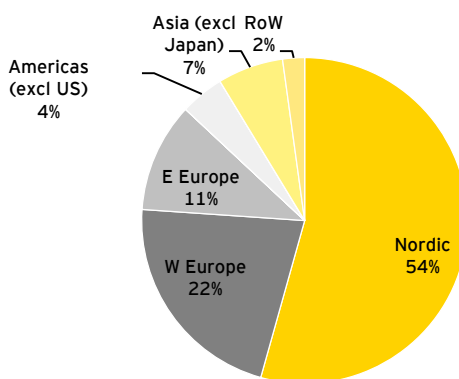


## LTM - by geographic region

### Acquisitions



### Divestments



# Hot Topic

## Hot Topic - Capital Confidence Barometer



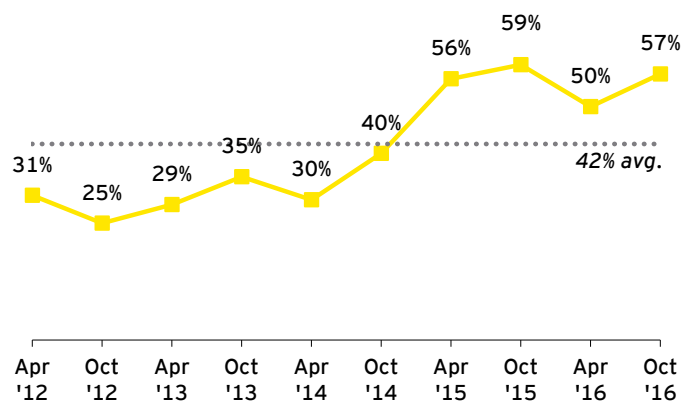
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- ▶ The 15<sup>th</sup> edition of EY's Global Capital Confidence Barometer, a bi-annual survey of more than 1,700 senior executives of large companies, in 45 countries and across 18 industry sectors, finds a near-record 57% of companies actively pursuing acquisitions in the next 12 months, indicating increased global M&A activity in 2017.
- ▶ Further support for a strong M&A market next year is also found in that 49% of responding companies have five or more deals in their pipeline, and that a majority of companies expect no change in pipelines over the next twelve months.
- ▶ Regarding deal size, companies' expectations point toward a concentration of deals in the USD 250m - USD 1b interval in the coming year, with fewer small or very large deals. The number of executives planning deals in the medium size interval increased from 39% in April, to 53% in October.
- ▶ Extracting synergies remains the number one challenge for companies pursuing acquisitions, with 39% of executives citing poor identification and quantification of synergies as the most significant issue that contributed to deals not meeting expectations. Loss of sales and customers due to lack of planning was nearly as big of an issue, mentioned by 38% of respondents.
- ▶ To enable a more robust and sophisticated deal process, many executives have adapted big data and analytics - especially to better identify synergies and determine appropriate valuation of targeted assets. As companies look at more targets, often in unfamiliar industries, deal teams also use data and analytics to identify areas of growth and related potential targets, as well as a tool to enhance the due diligence process.

- ▶ While M&A activity continues to be strong, executives have started to recognize downside risks to the global economy. A majority of executives see conditions over the next 12 months as either stable or positive, but in certain areas, such as corporate earnings, equity valuations and credit availability, respondents show a declining level of confidence.
- ▶ On a more granular level, 32% of executives believe that high volatility in currencies, commodities and other capital markets is the greatest economic risk to their core business over the next 6-12 months, and 29% see political instability in their home region as the greatest risk during the same period.
- ▶ Despite the uncertainties in the global economy, however, executives maintain a positive outlook for the global M&A market, with 91% of respondents expecting the deal markets to grow or hold steady over the next twelve months.

### Expectations to pursue an acquisition



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Transactions covered in this publication are transactions completed by large Swedish companies, defined to mean (i) companies which are listed on the Stockholm Stock Exchange and have a market capitalization over MSEK 5,000; and (ii) other Swedish companies with a turnover of more than MSEK 10,000. Swedish companies that are controlled by foreign groups have been excluded, unless they are headquartered in Sweden. Only transactions completed or declared unconditional in the period with an estimated deal value over approximately 50 MSEK and which have resulted in a change of control or significant change of influence have been included. If large Swedish companies are present on both sides of the same transaction, the transaction is recorded as an acquisition. Public takeovers by third parties and demergers are recorded as divestments.

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