

Seeing Deals through a Crystal Ball

The Deal landscape today

Market characteristics



Deal volumes: Following a record high in Q1 2017, US deal volume is down 12% from a year ago but has increased 6% from late last year, reversing three quarters of decline.



Deal values: As expected, values rebounded (+48%) as a result of significant megadeals. Top sectors by values were health Industries, technology, industrial products and energy.



Private equity: We expect a relatively challenging deal environment in PE given a sustained period of high market valuations and increased competition from several players, along with a relative lack of quality assets.



Cross-border deals: Volumes and values have continued to decline (-4%/-12%, respectively), primarily due to both current and anticipated changes in the business and regulatory environment in several countries.



Divestitures: Significant corporate divestiture activity continued (+18% in value terms), across a wide variety of sectors, with high-value activity in energy and industrial products.

Driving forces in M&A environment



Strategy: Technology and demographic factors continue to heavily influence corporate strategy as companies re-evaluate their core business, a trend clearly visible in the recent wave of divestitures announced in healthcare and consumer and industrial products.



Macroeconomic environment: Despite slight increases in both inflation and interest, overall US, economic conditions continue to be favorable. While the economy is long in its current cycle, these stable conditions likely will continue in 2018 absent a significant exogenous event.



Capital availability: Corporate and PE buyers continue to have significant access to capital, with more than \$1 trillion in estimated dry powder available for PE/VC. This will continue to drive high valuations. The mix of capital continues to change towards the private sector, despite a robust quarter for US IPOs.



Tax reform: It's still early in the process, but some companies are rethinking international structuring and capital allocations. Expect the situation to become clearer later in the year.



Trade barriers & protectionism: The immediate impact of recent US tariffs will cause changes to cost structures for some companies and will be an important consideration in evaluating deals in process. Longer term, rising trade barriers may create more M&A activity, as companies substitute capital for trade in goods.



Other regulatory headwinds: Dealmakers face an increasingly complicated regulatory environment. Recent antitrust hearings will have a significant impact on the deal landscape. "Techlash" related developments, while still in the early stages, may also be profound.

You wouldn't believe what I can now tell you

Yesterday ?



Today



Predictive Analytics

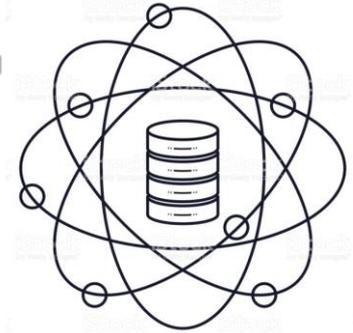
The doctor diagnoses
the patient

High
blood
pressure
Lack of
exercise
Smokes
cigarettes



The data science diagnoses
the company

Stagnant
growth
Poor
shareholder
returns
Working
capital
issues



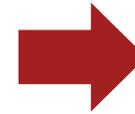
Leverage the past to predict the future

What can analytics tell you?

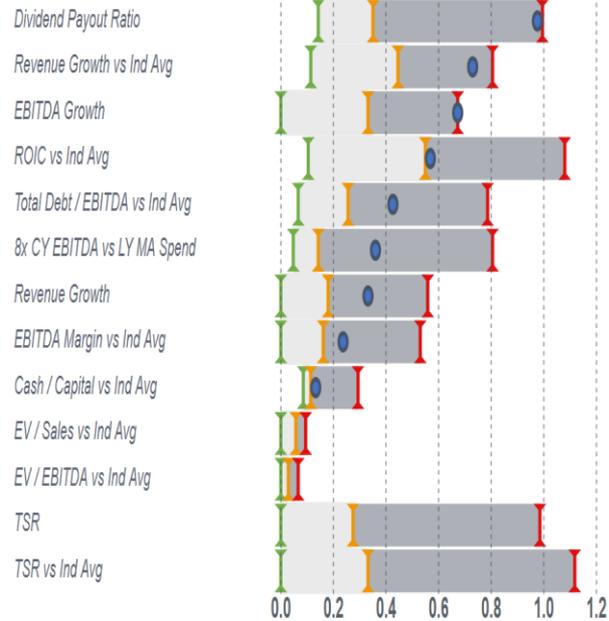
Tell me something



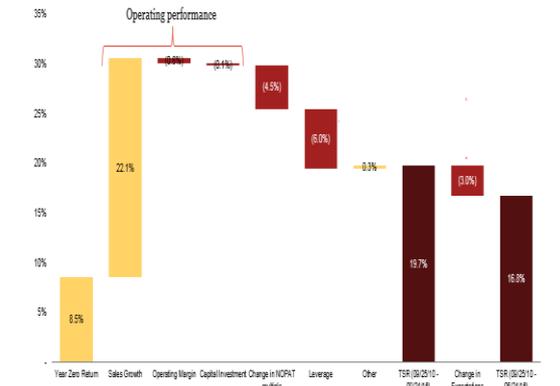
Tell me more



Tell me everything



Industry Minimum | Industry Average | Industry Maximum | Company



Some interesting insights

Predictive Analytics - Top Five Indicators



IPO

Investor Ability to IPO (vs Sector)	Investor Ability to IPO	Avg Funding Amt	Avg Funding Amt (vs Sector)	Funding Rounds
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Acquisitions

Market Share %	Industry Acquisitions Trends	EBITDA Margin	TSR	Secondary Offering
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Divestitures

Key Events ¹ LTM ²	Total Debt (vs Sector)	Acquisitions Events ¹ (vs Sector)	Divestiture Events ¹ LTM ² (vs Sector)	Revenue LTM ²
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Shareholder Activism

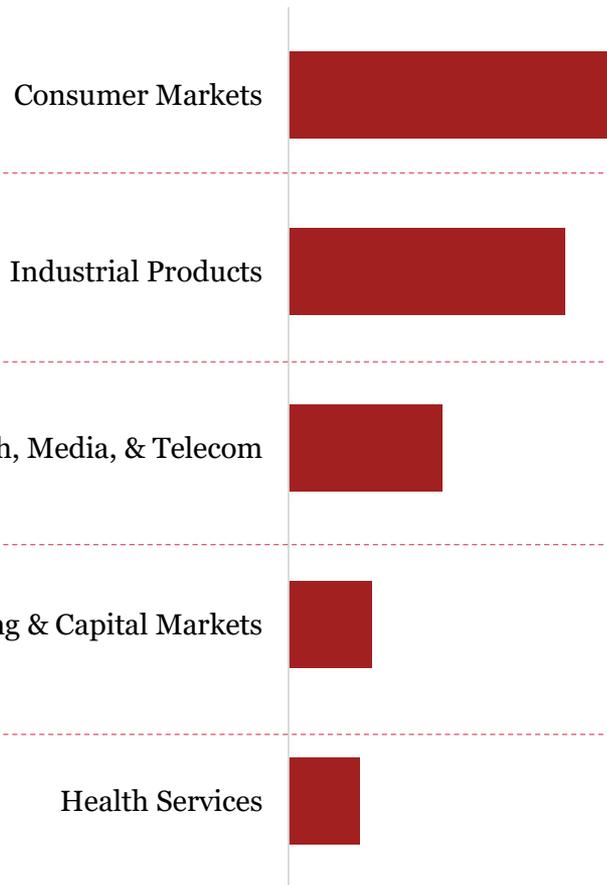
TSR (vs Sector)	ROIC (vs Sector)	Dividend Payout Ratio	Revenue Growth (vs Sector)	EBITDA Margin Growth
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(1) Key Events are key events tracked by CapIQ such as M&A rumors and discussions, delistings, announcements, investor relations, etc. – Acquisition Events are only the acquisitions events and Divestiture Events are only the divestiture events

(2) LTM = Last Twelve Months

Southeast Market Insights

Where are we predicting the most activity?*



What portfolio activities are we predicting?



* Based on predicted M&A activities + number of companies in each industry

Thank you

Jill Niland

Partner, Deals

Phone: (678) 419-3454

Email: jill.niland@pwc.com

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