



## Quarter 3 2015 U.S. Market M&A Update

*Concerns about an economic slowdown in China, the freefall of energy and commodity prices, and the potential rate hike from the Fed continue to fuel the volatility of the market. However, M&A activities remain strong in Q3 as the total deal value exceeded \$1 trillion, the third highest on record. The U.S. continues to be the leading region for deal making, accounting for more than 50% of worldwide M&A so far this year.*

Despite the vigorous effort of the Chinese central bank and government to support its stock market, all major indices in China fell sharply in late August. The sudden decline caused contagious effect on the global market, dragging down all major indices around the world. Dow dropped more than 1,000 points at opening on August, 24<sup>th</sup>, following the market turmoil in China. The concern over the global slow down and the increase of volatility remain till the end of Q3 as all three U.S. indices entered the negative territories for the year. The Dow Jones Industrial Average dropped 8.2%, the S&P 500 decreased 7.6%, while the NASDAQ retreated by 7.8 %.

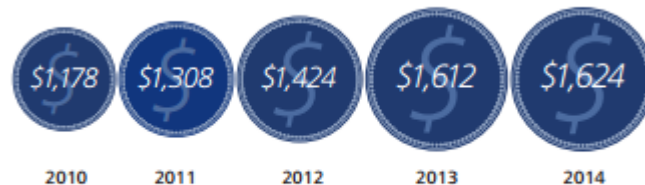
### M&A Activity Overview

Deal value in North America reached its strongest level in many years, amounting \$612.2 billion from 1,139 transactions in Q3 2015. Even though the volume is slightly down from the previous quarter's 1,345 transactions, deal value increased more than 24% from \$491.5 billion in Q2 and broke the pre-crisis quarterly record of \$553.6 billion with 1,458 transactions in Q2 2007.

The main factor that is promoting this trend has been the low-cost financing. U.S. interest rate has been near zero since the end of 2008, but it is expected to rise by the end of this year. Though the Fed indicated the rate hike would be a gradual process, companies do not want to take the risk that will potentially put them in a disadvantageous spot. This pushes many companies to join the M&A rally before financing gets more expensive.

The second key factor that helps the recent M&A activity is the substantial cash reserve and strong free cash flow of the companies. According to Deloitte, S&P 500 non-financial constituent companies had \$1.62 trillion in cash reserves for the year 2015. The free cash flow yield for the S&P 500 was 5.22% and the Bloomberg USD corporate bond yield 3.11%. Current funding conditions and cash position give confidence for the potential acquirers, since they can borrow at a favorable rate and service payments using free cash flow.

Cash reserves of non-financial constituents of the S&P500 (\$bn), 2010-14



Source: Deloitte analysis based on data from Bloomberg

The dominant sector in North America has been Technology, Media & Telecommunications with 755 transactions and \$310.4 billion in value, account for a fifth of M&A in the region overall. Two of the deals in this sector made the top 10 list: Charter Communications' \$77.8 billion purchase of Time Warner Cable and Singapore-based Avago Technologies' \$33.7 billion acquisition of US-based Broadcom Corporation.



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It also can be seen that there is a rise in activist shareholders, who are putting pressure on boards to drive further growth or return cash back to shareholders. In the meantime, more companies are taking a more aggressive approach in terms of M&A. To date, more than \$240 billion of transactions are unsolicited deals globally, the highest level since 2007.

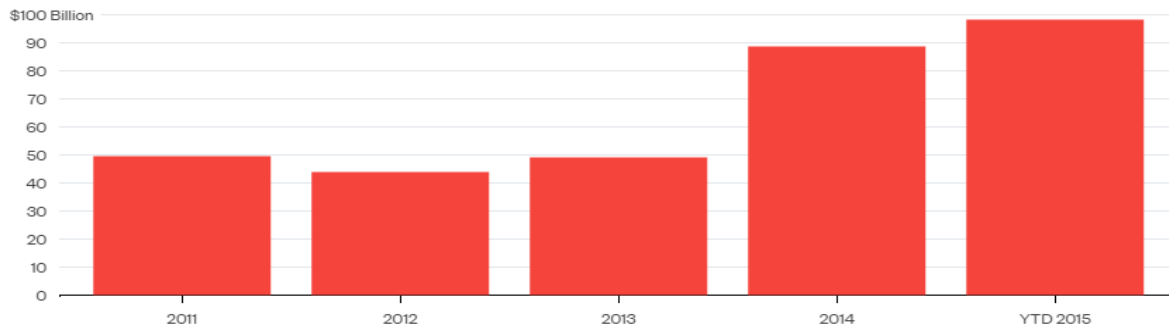
### PE Exits Discussion

Private equity firms have been taking advantages of the hot M&A market and selling their portfolio firms at both record volumes and values. In the first three quarters of 2015, there is more than \$317 billion value of global private equity exits in a total of 1,560 transactions. Cheap money, strong capital market, and high multiples are the major factors that lead to this trend. The strategic buyers are lining up to utilize their strong balance sheet and high stock prices to gain market share and eliminate competitions. As the Fed is looking to increase interest rate later this year, more volatility and speculation of the market will certainly return, which will potentially be the biggest challenges facing exist in the coming years. Going forward, one problem the private equity firms that have to deal with would be finding new investment targets, as they are sitting on a lot of money that has been accumulating since the recession.



### Technology IPO and Venture Funding

Though the market is still around its all-time high, the recent technology IPOs are not doing so hot. According to Bloomberg, 43% of the recent tech IPOs are trading below their offering price. Notably, Square, Inc. (NYSE: SQ) became an IPO sale casualty when it priced its offering at \$9 a share, nearly 20% below the most modest price estimate by its bankers. However, private technology companies continue to raise record sums of money at higher valuations. Venture capital funding this year has reached its highest level since 2011 and it is on its way to break through the \$100 billion mark.



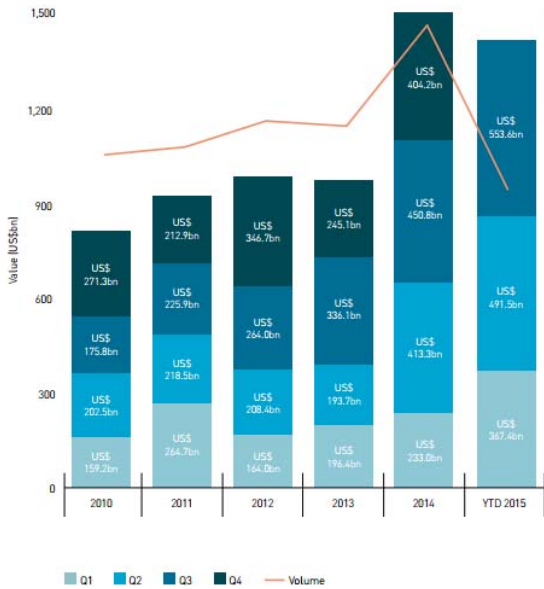
Source: CB Insights



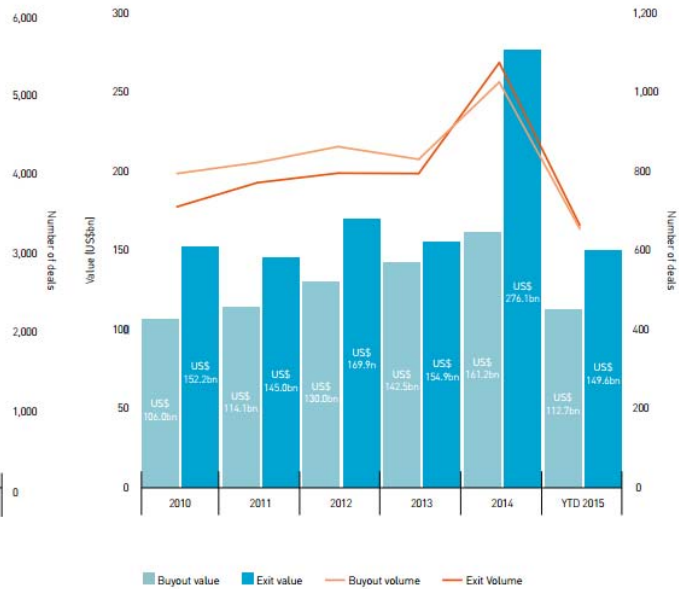
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## M&A Trend Graphs

NORTH AMERICA M&A TREND

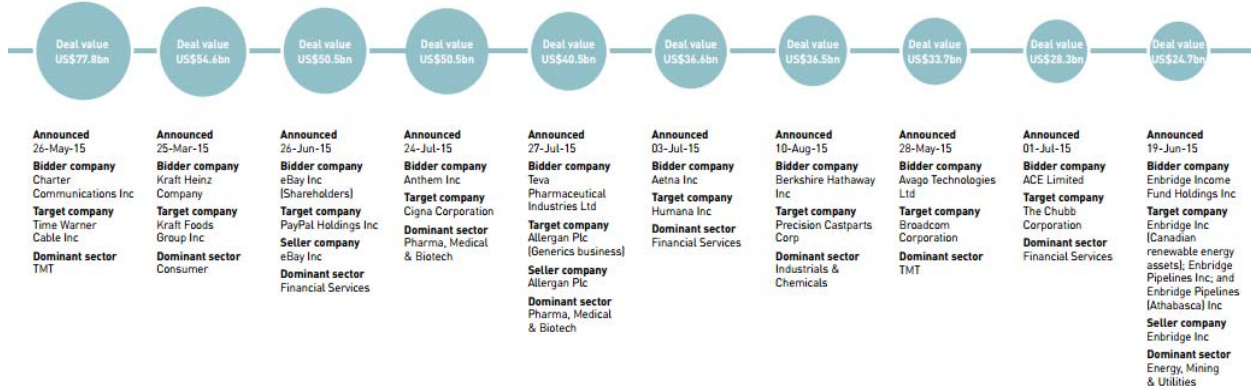


NORTH AMERICA PRIVATE EQUITY TREND



## Top 10 Transactions in 2015

TOP 10 ANNOUNCED DEALS FOR 2015



Source: Mergermarket



*Lawrence, Evans & Co., LLC provides investment banking, finance, and consulting services for small and middle market healthcare, transportation, manufacturing, energy and service companies. We are very active on the buy-side, sell-side, capital raising and turnaround and restructuring.*

**SERVICES**

<p>▪ <b>Investment Banking &amp; Corporate Finance</b></p>	<ul style="list-style-type: none"> <li>-Private Company Sales</li> <li>-Division/Subsidiary Divestitures</li> <li>-Distressed Transaction Advisory</li> <li>-Acquisition Advisory Services</li> <li>- Private Market Financings</li> <li>- LBO's and Recapitalizations</li> </ul>
<p>▪ <b>Turnaround &amp; Restructuring</b></p>	<ul style="list-style-type: none"> <li>-Turnaround Management</li> <li>-Debt Restructuring/Refinancing</li> <li>-Orderly Liquidations</li> <li>- Chief Restructuring Officer (CRO)</li> <li>- Bankruptcy Planning/ 363 Sales</li> <li>- Receivership/Trustee</li> </ul>
<p>▪ <b>Consulting</b></p>	<ul style="list-style-type: none"> <li>-Strategic Options Analysis</li> <li>-Valuations &amp; Financial Assessments</li> <li>-Interim CEO/CFO</li> <li>- Strategic Planning</li> <li>- Organizational Reviews</li> <li>- Expert Testimony &amp; Opinions</li> </ul>

**REPRESENTED TRANSACTIONS**

<p><b>Acute Care Hospital</b> Texas</p> <p><i>Acquisition Capital Private Placement Senior and Sub-Note Working Capital Line</i></p> <p> Acted as advisor</p>	<p><b>Skilled Nursing Facility</b> Michigan</p> <p>\$4,000,000 <i>Cashout Nonrecourse Refinancing Term Note and Revolver</i></p> <p> Acted as advisor</p>	<p><b>Robotic Integrator</b> Midwest</p> <p>\$1,600,000 <i>Growth Capital Term Note</i></p> <p> Acted as advisor</p>
<p><b>Electronic Wholesaler</b> Midwest</p> <p><i>Buy-side search for Geographic Expansion</i></p> <p> Acted as advisor</p>	<p><small>GLOBALNET SOLUTIONS</small> Multi-Specialty Medical Billing Company <i>2012 Sale to a Strategic Buyer</i></p> <p> Acted as advisor</p>	<p><b>125 Acres Land</b> California</p> <p>Real Estate \$10,000,000 <i>Bridge and Placement of Acquisition financing</i></p> <p> Acted as advisor</p>

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