



Quarter 3 2017 U.S. Market M&A Update

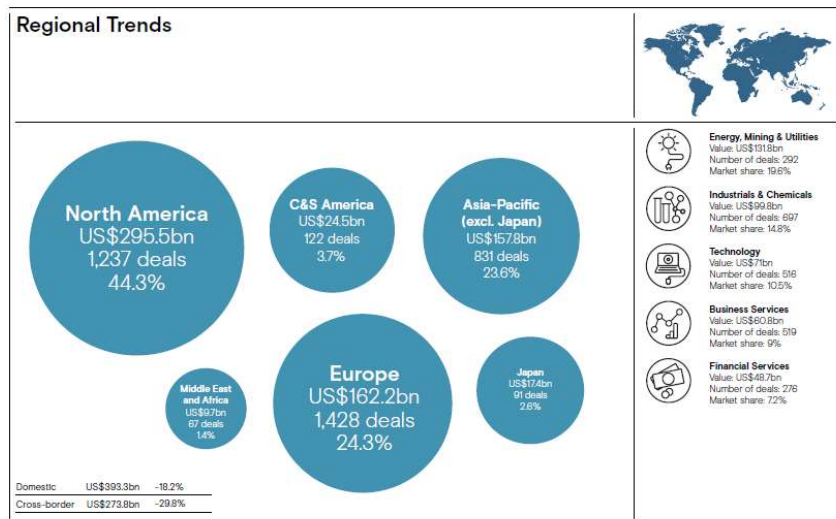
The monetary policy tide is heading out as the Federal Reserve is starting the slow process of balance sheet reduction and is on a gradual path to raise interest rate while the European Central Bank is poised to start tapering its asset purchases in 2018. The only major central bank that is still supporting a stimulative monetary policy is the Bank of Japan. The U.S. equity market has reached its all time high again in late 2017. Though momentum can push the market higher, the extremely stretched valuation could make the market vulnerable to any unwelcome news.

The global economy continued to expand in a relatively steady and synchronized fashion. Most developed economies are in more mature stages of the business cycle, with the eurozone falling a little behind. Recession risks and market volatility continue to remain low through Q3 2017. The solid growth environment is likely to give policymakers confidence to slowly shift toward less accommodative monetary policy, which has the potential to increase volatility across all asset classes from extremely low levels as of now. The Dow Jones Industrial Average moved up 4.9%, the S&P 500 increased 4.0%, while the NASDAQ gained by 5.8%.

M&A Activity Overview

Despite an active global M&A market in the first half, deal making cooled down in Q3 2017. Natural disaster recovery in North America, uncertainly over continued Brexit talks in Europe, and global oil price fluctuations continue to have negative impacts on deal making. A total of 3,774 deals worth \$667.1 billion were announced globally in Q3, representing a 24.2% drop in value year-over-year, with 739 fewer transactions.

Despite a drop in overall M&A activity, private equity provided a bright spot for deal activity in Q3. An extended period of low interest rates and an abundance of dry powder have spurred buyout activity. There were 661 PE deals worth \$138.0 billion in Q3, marking a 41.2% hike in value compared to the same period a year ago.





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In Q3 2017, North America had its weakest quarter for deal value since Q1 2016. It was the lowest amount in a third quarter since 2012. There were just 1,237 deals valued at \$295.5 billion in Q3 2017, which is 266 fewer transactions and a 32.8% drop in value from a year earlier.

The Energy, Mining & Utilities sector had the highest value among all sectors but nonetheless saw a decline from the same period a year ago, as did three of the other top five sectors for M&A. Even private equity had a down quarter, after a torrid start to the year.

Energy, Mining & Utilities sector had a total of 122 deals valued at \$78.4 billion. Three of the top five deals in the quarter came in the sector, including the \$5.5 billion acquisition of power generator Calpine Corporation in August by a consortium led by PE firm Energy Capital Partners, which brought in co-investors and limited partners.

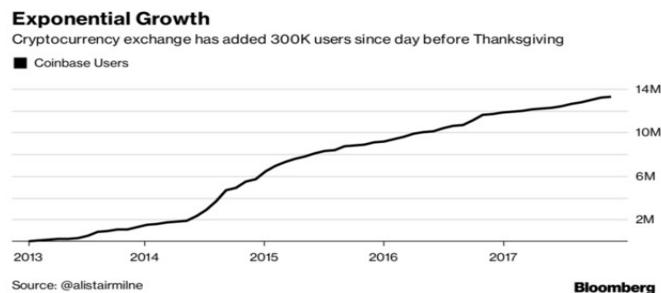
Industrials & Chemicals had the second highest value with \$46.5 billion in 192 deals. The biggest deal of the quarter was the acquisition of Rockwell Collins by aerospace giant United Technologies Corporation for \$29.9 billion.

The Technology sector took the third place with 225 deals worth \$29.1 billion.

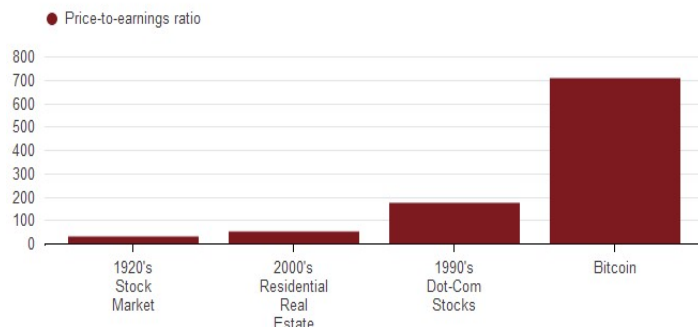
Source: Mergermarket

Recent Surge on Bitcoin

As the bitcoin price moves closer to five figures in late November, it is increasingly getting Main Street's attention. Coinbase, one of the most popular platforms for trading cryptocurrencies, has added at least 300,000 users since just before the Thanksgiving holiday on Nov. 22.



Even compared with some extreme bubbles, bitcoin's current price look bloated. So far, the dot-com stock might be the biggest bubble of the past few decades and likely the largest in stock market history. At the height of the dot-com stock bubble, the tech-heavy Nasdaq stock index had a price-to-earnings of 175. Bitcoin, at \$9,600 a piece and a total market cap of \$155 billion, only generated nearly \$219 million transaction fee in the past year. This represents a trailing P/E ratio of 708, which is four times more expensive than dot-com stocks were at the height of their bubble.



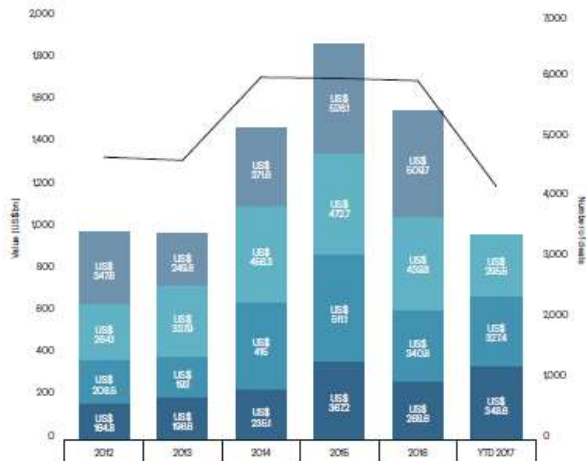
Source: Bloomberg



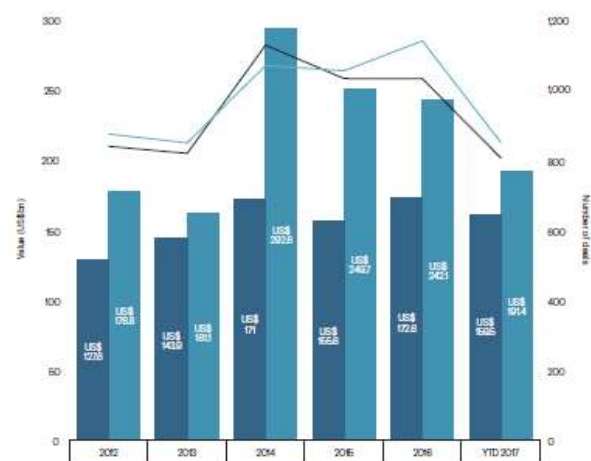
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M&A Trend Graphs

North America M&A trend



North America Private equity trend



Top 10 Transactions in Q3 of 2017

Value (US\$bn)	Deal details				Advisor details		
	Announcement date	Target	Buyer	Dominant sector	Sell-side	Buy-side	
20,948	4-Sep-17	Rockwell Collins Inc	United Technologies Corporation	Industrials & Chemicals	FA: Cit, JPMorgan LA: Stoddin Arps Stein Meagher & Flom (Advising FA: Davis Polk & Wardwell)	FA: Morgan Stanley LA: Cleary Gottlieb Steen & Hamilton; and Wachtell, Lipton, Rosen & Katz (Advising FA: Sullivan & Cromwell)	
18,800	21-Aug-17	Energy Future Holdings Corporation	Sempra Energy	Energy, Mining & Utilities	FA: Moelis & Company LA: Crewth, Swaine & Moore; Jones Day; and Kirkland & Ellis	FA: Leavitt and Morgan Stanley LA: White & Case (Advising FA: Sidley Austin)	
17,023	18-Aug-17	Calpine Corporation	Calpine Consortium	Energy, Mining & Utilities	FA: Leavitt LA: White & Case	FA: Barclays LA: Debevoise & Plimpton; Latham & Watkins; Shearman & Sterling; and Torys	
16,720	7-Jul-17	Orco Electric Delivery Company LLC (80.03% stake)	Berkshire Hathaway Energy	Energy, Mining & Utilities	FA: Barclays LA: Crewth, Swaine & Moore; Jones Day; and Kirkland & Ellis	FA: Cit LA: Gibson Dunn & Crutcher	
14,383	31-Jul-17	Scripps Networks Interactive Inc	Discovery Communications Inc	Media	FA: Allen & Company; Evercore Partners; and JPMorgan LA: Kirkland & Ellis; and Weil Gotshal & Manges (Advising FA: Clifford Chance; and White & Case)	FA: Goldman Sachs & Co; Guggenheim Partners; and UBS Investment Bank LA: Debevoise & Plimpton; Sullivan & Cromwell; Wachtell, Lipton, and Rosen & Katz (Advising FA: Gibson Dunn & Crutcher; Advising Debt Providers: Davis Polk & Wardwell)	
10,951	28-Aug-17	Kite Pharma Inc	Gilead Sciences Inc	Pharma, Medical & Biotech	FA: Centerview Partners; Cowen Group; and Jelferkes LA: Cooley and Sullivan & Cromwell (Advising FA: Goodwin Procter)	FA: Bank of America Merrill Lynch and Leavitt LA: Stoddin Arps Stein Meagher & Flom (Advising FA: Fried Frank Harris Shriver & Jacobson)	
11,170	19-Sep-17	Orbital ATK Inc	Northrop Grumman Corporation	Defense	FA: Cit LA: Hogan Lovells International (Advising FA: Cleary Gottlieb Steen & Hamilton)	FA: Davis Weilberg Partners LA: Crewth, Swaine & Moore (Advising FA: Davis Polk & Wardwell)	
8,240	10-Jul-17	Great Plains Energy Inc	Wester Energy Inc	Energy, Mining & Utilities	FA: Barclays; Goldman Sachs & Co; and Leavitt LA: Bracewell	FA: Guggenheim Partners LA: Baker Botts	
7,884	10-Aug-17	Starwood Waypoint Homes	Invitation Homes Inc	Real Estate	FA: Evercore Partners; and Morgan Stanley LA: Sidley Austin (Advising FA: Fried Frank Harris Shriver & Jacobson; and Proskauer)	FA: Deutsche Bank; and JPMorgan LA: Kirkland & Ellis; Paul Weiss Rindfeld Wharton & Gierstson; and Simpson, Tischer & Banfill (Advising FA: Debevoise & Plimpton)	
7,100	18-Jul-17	Lightower Fiber Networks	Crown Castle International Corporation	Telecommunications	FA: Cit; Evercore Partners; and JPMorgan LA: Ropes & Gray	FA: Morgan Stanley LA: Crewth, Swaine & Moore	

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

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

REPRESENTED TRANSACTIONS

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

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