

# FINANCIAL REVIEW

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**HD** **Cross-border deals fuel mergers rush**  
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As offshore-based suitors such as KKR and South Africa's Woolworths continue to stalk Australian companies, new data shows global deal levels have well and truly bounced back with cross-border transactions posting their strongest start to a year since 2008.

Global merger and acquisition volumes have returned to pre-global financial crisis levels, with announced transactions amounting to \$US1.75 trillion (\$1.87 trillion), so far, this year. That was up 35 per cent on the same period in 2013, and the highest first-half volume since 2007, according to Dealogic.

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The healthcare sector dominated global deal flow, followed by the telecommunications industry and technology sector. Valeant Pharmaceuticals' mammoth hostile bid for Allergan was among the largest transactions announced during the period.

Private **equity** exits and deals that spanned borders were a big feature during the six months.

A potential US\$40.6 **billion** merger between cement companies Holcim and Lafarge is among the largest cross-border deals this year.

In Australia, inbound activity has been rife in 2014, with Treasury **Wine** Estates, David Jones, and Aquila Resources catching the attention of offshore-based acquirers.

Inbound deal activity for Australia amounts to \$US27.8 **billion**, so far, in 2014, the second highest year-to-date total in the past decade.

Total Australian activity, including domestic and outbound, stands at \$US66 **billion** in the first half, up markedly from \$US39 **billion** in the same period in 2013. It is also the highest tally at this point in a year since 2011.

Activity in **equity** capital markets (ECM) is just as robust in 2014. **China** in lead

The Dealogic data shows Australia ranking second only to **China** in ECM issuance in the Asia-Pacific region (excluding Japan) this year.

The region's rise in issuance mirrors a broader global increase.

**Chinese** issuers accounted for 54 per cent of total ECM activity in the region, followed by Australia at 15 per cent and **Hong Kong** at 7 per cent. That is up from third place last year, and marks Australia's best first-half performance since ranking first in the region with 36 per cent in 2009.

The preliminary first-half numbers put Asia-Pacific (ex-Japan) issuance at \$US100.7 **billion** (\$107.1 **billion**), reflecting a 9 per cent increase on the same period in 2013. In **China**, volumes were boosted by BOE Technology **Group's** \$US7.4 **billion** follow-on **equity** raising, and in Australia, this month's \$US3 **billion** block trade out of Woodside Petroleum propped up the data. Australian ECM

volume was at \$US15 **billion**, excluding Asaleo Care, the nation's second-largest initial public offering so far in 2014, which priced this week.

Globally, ECM volume amounts to \$US441.6 **billion** in 2014, the highest six-monthly total in four years. The finance industry was the busiest in the ECM space, followed by the technology sector. Global IPO volume jumped 44 per cent to \$US104.9 **billion**, buoyed by private **equity**-led activity, which posted its best first-half on record. Buyout firms have conducted ECM activity of \$US107.5 **billion** globally in 2014.

But the numbers were not all glowing. Across global markets, some 70 IPOs were shelved in the first half, up from 51 in the same period in 2013. In this region, New Zealand-based rental equipment **business** Hirepool this week abandoned a sharemarket listing.

Global debt capital markets activity was softer in the preliminary numbers, declining 10 per cent to \$US3.24 trillion during the six-month period.

**CO** hfg : Holcim Ltd | trimel : Valeant Pharmaceuticals International Inc.

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ibuildpr : Building Materials/Products | icre : Real Estate/Construction

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