

THE 2016 M&A REPORT

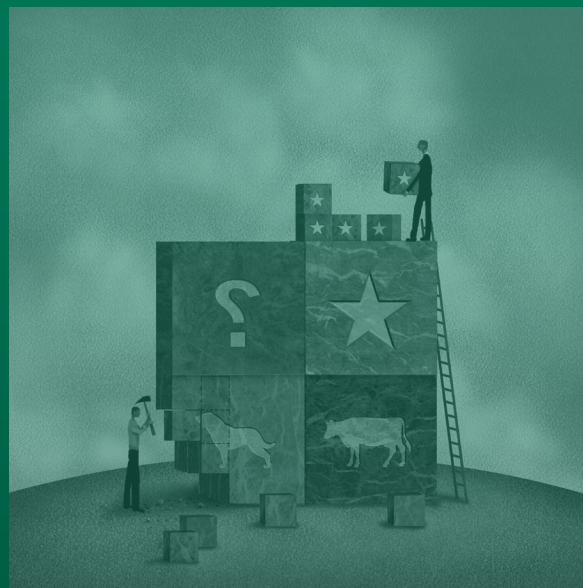
MASTERS OF THE CORPORATE PORTFOLIO



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MASTERS OF THE CORPORATE PORTFOLIO

JENS KENGELBACH

GEORG KEIENBURG

TIMO SCHMID

SÖNKE SIEVERS

OLIVER MEHRING

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EXECUTIVE SUMMARY

FOLLOWING A STRONG 2014, the year 2015 will go into the books as a record for global M&A deal making. But in the long run, it may also be remembered as the year in which a sea change in investors' appetite for deals became apparent. Capital markets have long greeted acquisition announcements with skepticism—and with good reason. Research, including our own, has consistently shown that most deals destroy value. But, as we explore in the following pages, markets in recent years have behaved differently than in the past and started bidding up shares of acquiring companies—by an average of 0.5% in the seven-day window around the announcement. In the current market environment, at least, investors are showing more trust in, and higher expectations for, dealmakers.

There's a sound reason for this shift. Our research on, conversations with, and work for global companies and investors has found that in an extended period of low growth and inexpensive financing, markets see deal making (both acquisitions and divestitures, assuming they are well planned and executed) as one of the few available avenues to grow value. Our 2015 M&A report confirmed that companies that do their homework and practice disciplined postmerger integration can indeed acquire their way to growth in both earnings and shareholder returns. (See "Should Companies Buy Growth?" BCG article, October 2015, and "From Acquiring Growth to Growing Value," BCG article, October 2015.) Our 2014 report reached a similar conclusion about divestitures.

This year, we examine whether companies can, in effect, transact their way to value creation. The answer is that indeed they can, but it takes practice and a commitment to M&A as a strategic lever of the same sort as innovation or geographic or market expansion. In this year's report, we explore the success of "portfolio masters"—companies that consistently reshape their corporate portfolios, using both acquisitions and divestitures as an essential component of their strategy. (For purposes of this report, we define portfolio masters as companies that execute at least five major transactions, buying or selling, over a five-year period.) For these companies, M&A is a viable—and proven—value creation strategy.

After back-to-back years of high double-digit growth, the market is now sending mixed signals.

- Total M&A activity in 2015 returned to levels last seen in the boom years of 1999 and 2007. Global deal value increased by almost 40% on top of already solid growth in 2014 of more than 20%.
- Growth was strong across almost all sectors, with a number of industries showing high double- or even triple-digit percentage increases. The value of M&A deals also increased strongly in all major regions.
- There is a shift underway in investors' views of M&A. Despite rising deal premiums and record valuation multiples in 2015, initial market reaction has been positive not only for sellers but also for acquirers, presumably the consequence of macroeconomic circumstances and market exuberance.
- Transaction valuation levels are higher than ever before. Across all sectors, the median target company in our sample was valued at a record-high 14 times EBITDA, exceeding even the heights in the “new economy” of the 1990s or the pre-Lehman bankruptcy era. The combination of high valuation levels and the magnitude of M&A as a percentage of GDP sent signals of a potential bubble by the end of 2015, and market participants entered 2016 on a more cautious note. Both the volume and the value of deals subsided significantly: deal value was down 27% in the first half of 2016 compared with the first half of 2015.
- At the same time, the second quarter of 2016 saw a small uptick of 14% from the first quarter announced deal value, and the fundamental deal drivers of low GDP growth, cheap money, and available cash are still in place. Private equity's dry powder continues to grow (after five straight years), and investors favor strategic M&A to realize growth in an otherwise stagnating environment.
- Irrespective of aggregate deal levels for the rest of 2016 and beyond, the core question is whether firms are generating superior returns for shareholders from the transactions that they pursue and, particularly, at what level of risk—the latter a factor often neglected in boardrooms when it comes to M&A decision making.

Deal-making skills are value-creating skills.

- Can companies use deal-making skills on both sides of the transaction as a strategic tool for value creation—and if so, what sets these companies apart from other corporate buyers and sellers?
- Three types of dealmakers—portfolio masters, strategic shifters (making two to four deals within a five-year time frame), and one-timers (pursuing only one transaction in five years)—illustrate how different kinds of companies achieve markedly different results through M&A.

- Capital markets tend to reward one-timers on deal announcement, likely appreciating the once-in-a-lifetime deal opportunity. Over the medium and long term, however, more active dealmakers clearly outperform in terms of generating value for shareholders.
- In the long run in particular, portfolio masters outperform one-timers with an average annual total shareholder return of 10.5% versus 5.3%. Moreover, they achieve the higher return at substantially lower volatility—that is, they expose their shareholders to less risk because of better integration management when buying, and better preparation when selling, a business.

Our analysis pinpoints four characteristics that distinguish portfolio masters from other companies.

- **Active dealmakers are bold.** They pay higher premiums and multiples in order to win a target because they have more experience in assessing potential synergies and integration costs. They also can afford to pay more because they have better M&A processes.
- **They target growth even at the cost of acquiring companies with lower margins.** Portfolio masters ultimately aim for growth from M&A. They acquire high-growth companies in order to enhance overall portfolio growth—even if the target business has lower margins—while divesting lower-growth firms.
- **They execute M&A irrespective of the actual capital market environment.** Portfolio masters do not shy away from transactions when facing high market volatility.
- **They move fast.** With an average closing time of 72 days when buying and 82 days when selling, portfolio masters execute transactions 30 days faster than one-timers—meaning that the latter lose one month between contract and closing, during which they have limited control over their assets.

Companies that train themselves to become proficient at M&A also learn how to create superior shareholder value.

- One-timers that executed deals more frequently over succeeding five-year periods outperformed their former one-timer peers by roughly 5 percentage points in terms of shareholder return.
- Their former peers, on the other hand, generated minimal to no appreciable shareholder return.

FROM RECORD HEIGHTS TO AN UNCERTAIN OUTLOOK

IT'S HARD FOR ANY market to maintain double-digit growth rates for long, even when the fundamentals are acting mostly in its favor. Following a strong 2014 and a heated 2015, when M&A activity approached record territory, the announced volume and value of deals subsided sharply in the first half of this year, with global deal values contracting 27% compared with the first half of 2015. That said, the second quarter of 2016 saw a 14% increase in activity over the first three months of this year. Looking out from its new heights, the market appears unsure where it is headed.

General market uncertainty and increased volatility may be good reasons for companies to take a cautious approach to transactions (even though certain types of dealmakers actually thrive in this type of environment, as we will show later in detail). Corporate caution and market unpredictability are fueled by a number of factors, including the following:

- An unclear economic and political future for the European Union, resulting in part from the UK's vote to exit the bloc.
- Significantly higher volatility in equity markets, complicating execution of IPOs as part of an M&A “dual track” strategy and making share-based deals in general less predictable.

- A tightening of regulations to thwart so-called inversion deals (transactions that enable companies to reduce tax burdens by establishing new domiciles overseas).

The number of deals—and big deals—that have been aborted or withdrawn is substantial: the failed Pfizer-Allergan transaction, the terminated Halliburton-Baker Hughes merger discussions, and the canceled divestment of Philips's lighting equipment business unit to Chinese investor GO Scale Capital are only a few examples.

Looking out from its new heights, the market appears unsure where it is headed.

Still, first-half 2016 M&A levels are on a par with ten-year averages, and there is plenty of disagreement among practitioners as to whether the recent slowdown represents the beginning of a significant drop-off in activity or just a temporary pause in a market with plenty of momentum left.

As always, geopolitical events are a wildcard. In our view, most (if not all) of the fundamental drivers of M&A activity in 2014 and

2015 are still in place—low GDP growth, cheap money, available cash, and the need for growth among companies and for returns among private equity (PE) players. Deal making remains broadly active across industries and geographies. In some regions, such as China, outbound deal activity levels rose above historical levels in the first part of 2016.

Regardless of whether we are facing a breather or a more serious break in the action, there are compelling reasons for more companies to look more seriously into M&A—on both sides of the transaction—as a powerful tool for value creation, as we explore in depth in this report.

Firing on All Cylinders: M&A Activity in 2015

Total M&A activity in 2015 returned to levels last seen in the “new economy” peak of 1999 and the pre-Lehman bankruptcy era of 2007. Global deal value increased by almost 40% last year on top of 2014 growth of more than 20%. (See Exhibit 1.)

Growth in 2015 was strong across almost all sectors, with a number of industries showing high double- or even triple-digit percentage increases. (See Exhibit 2.) These included health care (102% year-on-year growth), consumer and retail (53%), and media, entertainment, and telecommunications (48%). The only major sector showing a decline was energy and power, reflecting the industry’s continuing struggle with low fossil fuel prices, regulatory pressures, and a long-term trend toward a more sustainable energy mix.

The continued low-growth environment in 2015—a 1.5% GDP increase in Europe and a 2.4% rise in the US, for example—contributed to the overall M&A boom, as did inexpensive funding (thanks to continued quantitative easing programs by central banks). In such circumstances, M&A has become a popular way for many companies to search for growth when organic growth opportunities are limited.

In health care, for example, a number of large-scale transactions marked another round of industry consolidation. Beyond cost savings, the motivations behind multiple

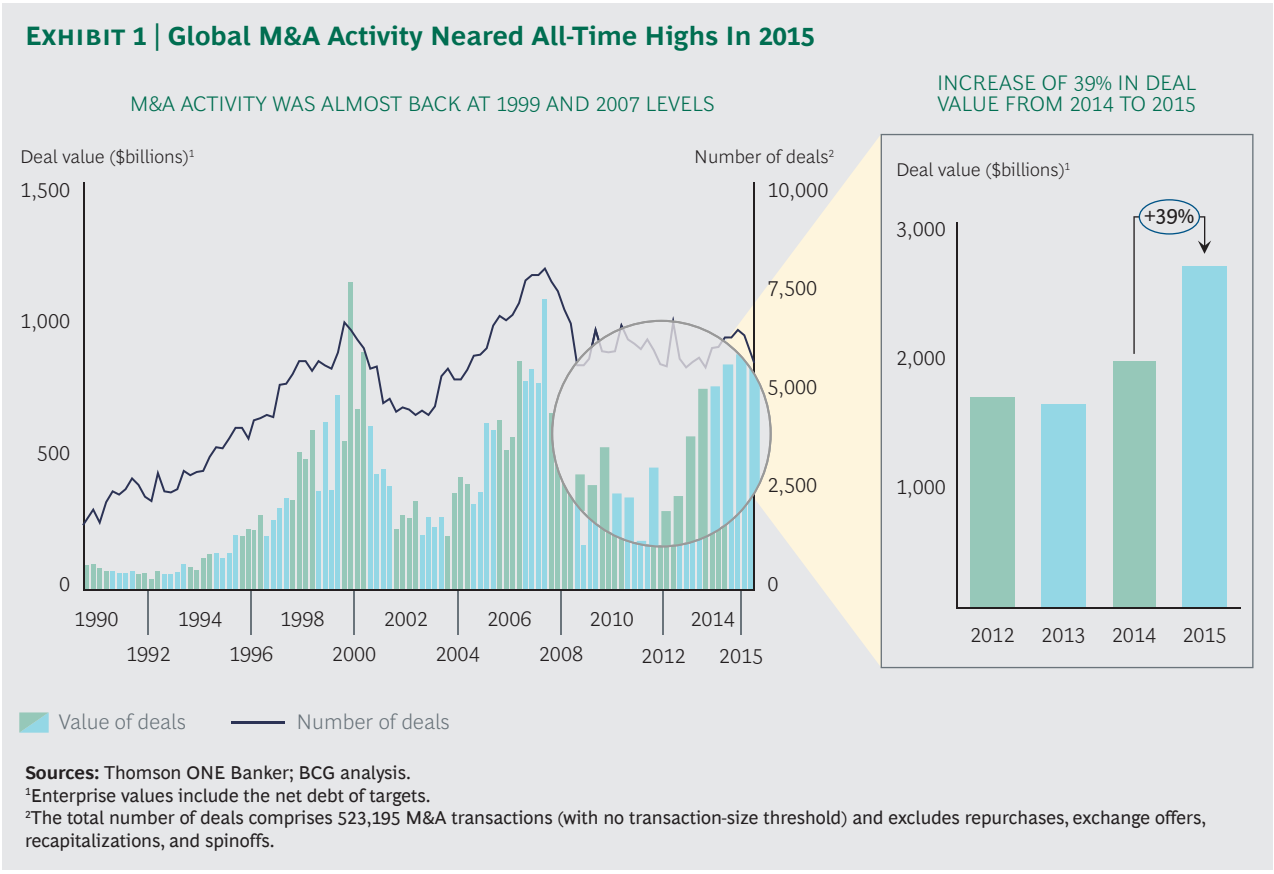
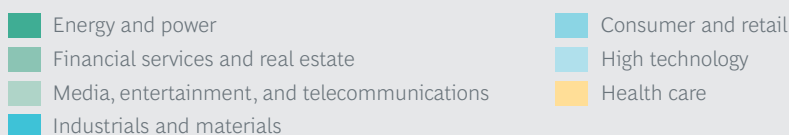
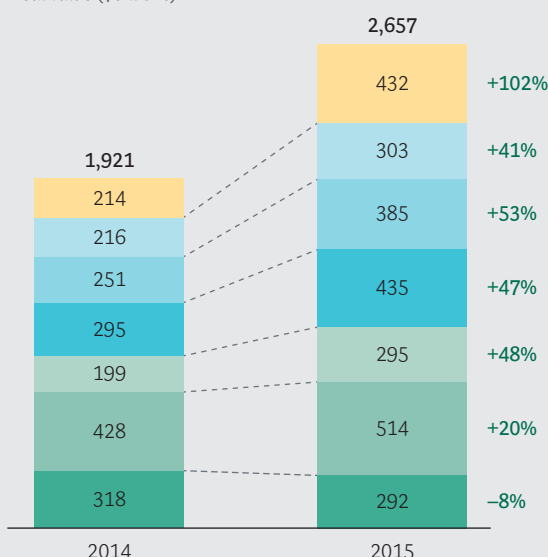


EXHIBIT 2 | Most Sectors Showed Big M&A Increases

DOUBLE-DIGIT+ GROWTH ACROSS SECTORS

Deal value (\$billions)¹



Sources: Thomson ONE Banker; industry reports; Federal Reserve; BCG analysis.

Note: Because of rounding, not all numbers add up to the totals shown.

¹Enterprise values include the net debt of targets.

²This data compares the US Aaa corporate bond yield in June 2016 versus June 2011.

³This information is as of March 10, 2016.

MACROTRENDS DRIVING M&A ACTIVITY

Cheap funding

- Current US corporate Aaa bond yield of 3.55% versus 4.99% in 2011²
- European Central Bank's refinancing rate: 0.00%³

Low-growth environment

- 2015 GDP growth in Europe and the US of 1.5% and 2.4%, respectively

megadeals included building out product portfolios (Teva-Allergan) and strategic realignment (the Sanofi-Boehringer Ingelheim asset swap). Tax efficiencies were also a deal driver for part of the year until the US government moved to stop inversion transactions involving US companies.

Large-scale consolidation (such as Anheuser-Busch InBev's acquisition of SABMiller and the Heinz-Kraft merger) was behind M&A growth in consumer goods and retailing. Companies in this sector also pursued smaller transactions in order to acquire new capabilities—especially in the areas of digital innovation and e-commerce.

Two principal drivers were behind activity in the high-tech sector: technology companies expanding their offerings toward integrated systems (Dell's acquisition of data storage company EMC is one example of this) and nontech players acquiring technology compa-

nies in order to augment their product offerings and their internal capabilities. In fact, nontech acquirers appear to have at least three motives in snapping up digital assets. One is the acquisition of new technology platforms in order to expand their core business—one example being clothing maker Under Armour looking to boost sales by gaining access to a digital fitness network, MyFitnessPal. A second is to gain control of a strategic technology. German automakers Audi, Daimler, and BMW paid \$3.1 billion for Nokia's maps business ("Here")—a key technology for self-driving cars. The third is the desire to improve operations by using technology to enhance productivity—the rationale behind tire manufacturer Saehwa Imc's acquisition of Cube Tech, a 3D printing company.

The value of M&A deals increased significantly in all major regions. Deal value in North America jumped 47% to \$1.4 trillion in 2015, fueled by a 53% growth in domestic M&A and

a big rise in cross-border transactions, many originating from Asia (a 32% increase over 2014). China was especially active: for example, Qingdao Haier acquired GE’s appliances business, and Tencent Holdings bought video game maker Riot Games.

M&A activity in Asia-Pacific grew by 60% to \$539 billion. Transactions in Europe, which totaled \$568 billion, showed the smallest increase, only 18%. European-based acquirers lost their appetite, in particular, for targets in their neighborhood. The total year-over-year value of intra-Europe deals contracted by 5% to \$315 billion, while European-originated acquisitions in North America increased by roughly one-third. The shift toward North America could be seen as a flight to a “safe haven.” Political instability in parts of Europe and unresolved questions regarding economic and political integration in the European Union may continue to push European buyers to look for targets in more stable environments with better growth prospects.

Shifting Investor Perceptions
Toward M&A

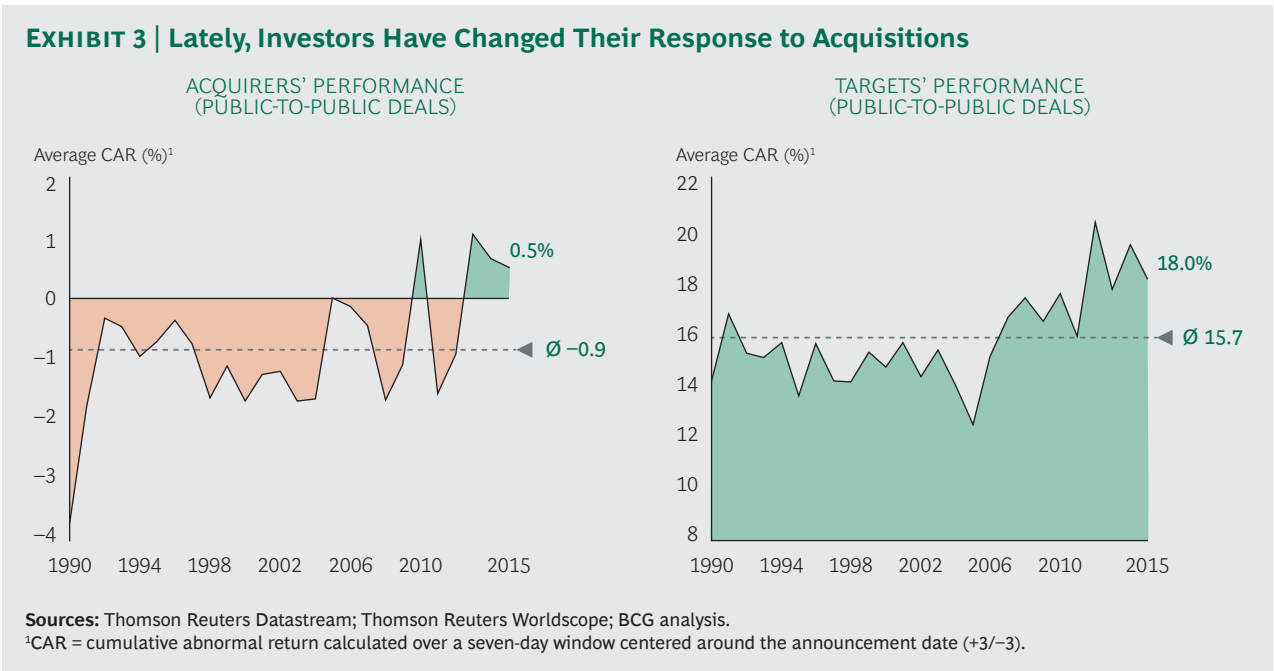
There seems to be a shift in investors’ views of M&A. We would argue, however, that it is temporary and based on current macroeconomic conditions rather than a longer-term sea change.

The typical paradigm for years was that while sellers earned an attractive takeover premium on the deal, the average acquirer’s stock fell on concerns of poor strategic fit, deal complexity, or doubts about synergy realization. In the past three years, however, despite high and rising pre-announcement valuation levels and generous acquisition multiples, the cumulative abnormal returns of both targets and acquirers have been positive. (CAR assesses a deal’s impact by measuring the total abnormal change in market value over a seven-day window centered on the transaction announcement date.¹) Unsurprisingly, average sell-side returns of 18% in 2015 were significantly above their long-term average, reflecting the attractive valuation levels at that time. (See Exhibit 3.)

As highlighted in our recent investor survey, investors are looking for new value-creation strategies in a world of low GDP growth and limited opportunities. (See “In a Tough Market, Investors Seek New Ways to Create Value,” BCG article, May 2016.) Strategic acquisitions are more often than not seen as the most effective value-creating use of capital, even despite lofty acquisition multiples.

High Valuations and Strong
Momentum

Valuation levels were at all-time highs in 2015, with the median deal fetching an enter-



prise value (EV)/EBITDA multiple of 14—an increase of 1.5 points over 2014 levels and well above historical averages of about 12. (See Exhibit 4.) Multiples paid in 2015 were even higher than those at the peak of the dot-com bubble and just before the financial crisis. The simultaneous increase in deal premium of 5 percentage points approached the historical average of about 32% and was a key driver of the multiple expansion as sellers increasingly demanded higher takeover premiums to let go of their shares. This premium expansion meant that sellers in 2015 reaped a higher share of a deal’s expected synergies, which puts an added burden on acquirers both to assess potential synergies accurately and to make sure that they realize them fully once the transaction closes.

It’s important to note that the overall increase in valuation levels is not the result of a shift in M&A activity toward higher-multiple industries such as high technology. The 2015 valuation levels reflect a general upswing in numerous sectors. In fact, EV/EBITDA multiples in the majority of sectors climbed well beyond 2007 precrisis levels. (See Exhibit 5.) Median health care multiples, for example, ended 2015 at a record level of approximately 20 times EBITDA (3.7 points higher than 2014)—clear evidence of the significant synergy potential investors associate with large-

scale mergers in this industry. The typical high-tech firm was acquired for 18 times EBITDA—up 1.2 points from the relatively high values in 2014 and 2.5 points over multiples in 2007. In 2015, a technology company with \$500 million in EBITDA would have had an acquisition enterprise value \$1.25 billion higher than in 2007.

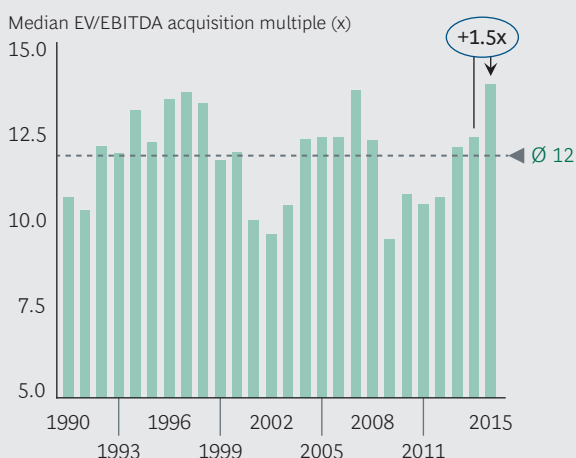
The only sector showing a decline in valuation levels in 2015 was energy and power, reflecting the industry’s continuing struggle against low fossil fuel prices, regulatory pressures, and a long-term trend toward a more sustainable energy mix. The typical energy and power company in 2015 traded at approximately 9 times EBITDA—a full point lower than in 2007.

Is a Bubble Forming?

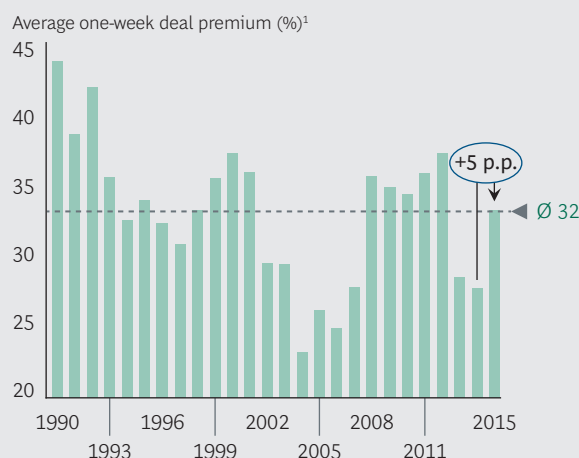
Taken together, the combination of trends and indicators in 2015 had the signs of a classic bubble preparing to burst. Global M&A value as a share of GDP had been rising steadily for the past three years and, at the end of 2015, stood at 4.8%—one full percentage point above its long-term historical average. Similar developments, albeit at even higher levels, were precursors of the technology bubble’s bursting in 2001 and the financial crisis of 2008. (See Exhibit 6.)

EXHIBIT 4 | 2015 Valuations and Premiums Were at High Levels

UNPRECEDENTED HIGH VALUATION LEVELS IN 2015 . . .



. . . ARE SUPPORTED BY DEAL PREMIUM RECOVERY

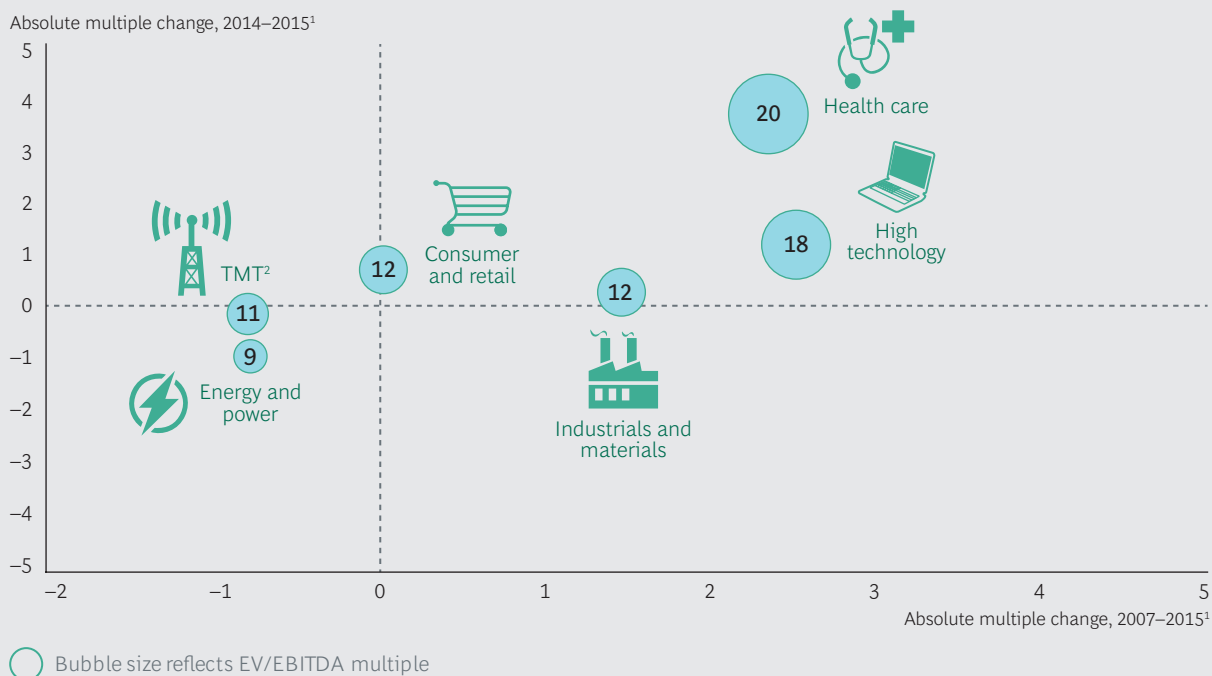


Sources: Thomson ONE Banker; BCG analysis.

¹The acquisition premium is the amount by which the target’s offer price exceeds its closing stock price one week before the original announcement date; the top 2.5% of deals were excluded in order to reduce distortion by outliers.

EXHIBIT 5 | Most Sectors' 2015 Valuations Were Well Above Precrisis Levels

ABSOLUTE CHANGE IN EV/EBITDA MULTIPLE: 2014–2015 VERSUS 2007–2015



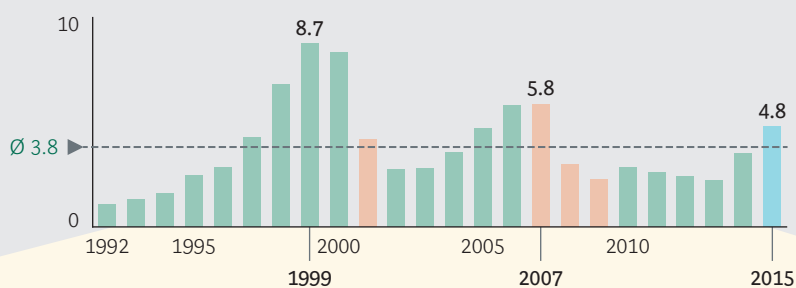
Sources: Thomson ONE Banker; BCG analysis.

¹Multiple relates to median EV/EBITDA.

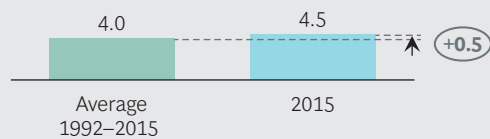
²TMT includes media, entertainment, and telecommunications.

EXHIBIT 6 | Are We Heading Toward a Bubble?

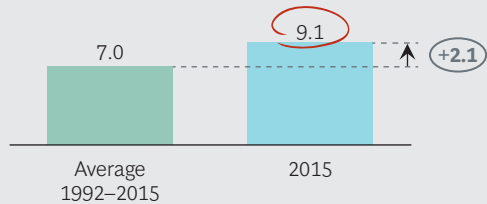
GLOBAL M&A VALUE AS A SHARE OF GDP (%)



EUROPE



NORTH AMERICA



Recession years in the US

Sources: International Monetary Fund; Thomson ONE Banker; BCG analysis.

Note: Deal values are based on announced deal value.

And, in fact, M&A value contracted in the first half of 2016 by more than 25% compared with the first half of 2015. That said, deal activity is at a par with ten-year historical averages, and the jury is still out on whether there are similarities to previous M&A market collapses. (See Exhibit 7.) The second quarter of 2016 saw a 14% uptick in activity from the first.

Going forward, we see two underlying factors supporting continued M&A activity. First, while PE buyers were highly active in 2015, their war chests also continued to grow, and they still face the need to put their money into play. (See Exhibit 8.)

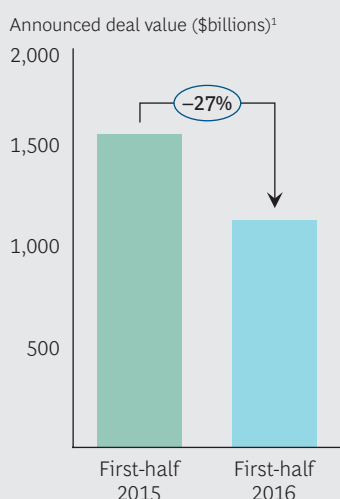
Second, investors are pushing corporate leaders to pursue strategic deals. (See Exhibit 9.) More investors than ever see strategic M&A as an attractive way to deploy capital in the current low-growth, cheap-funding environment (48% in our 2016 investor survey versus a 41% average among our 2009 through 2015 investor surveys). At the same time, in a clear sign of the times, fewer investors than ever prefer increasing investment in organic growth.

Irrespective of whether overall M&A market activity remains at current levels, slows through 2016, or bounces back in the second half, so long as debt funding is relatively cheap and economic growth is low, M&A deals will flow. And while some investors appear to be taking a balanced and cautious approach in these circumstances, others are likely to see this time as an opportunity to make bids for carefully selected and well-tracked assets. One such example is the proposal by SoftBank of Japan to acquire British chipmaker ARM in the aftermath of the UK’s “Brexit” vote and the related weakness in the British pound.

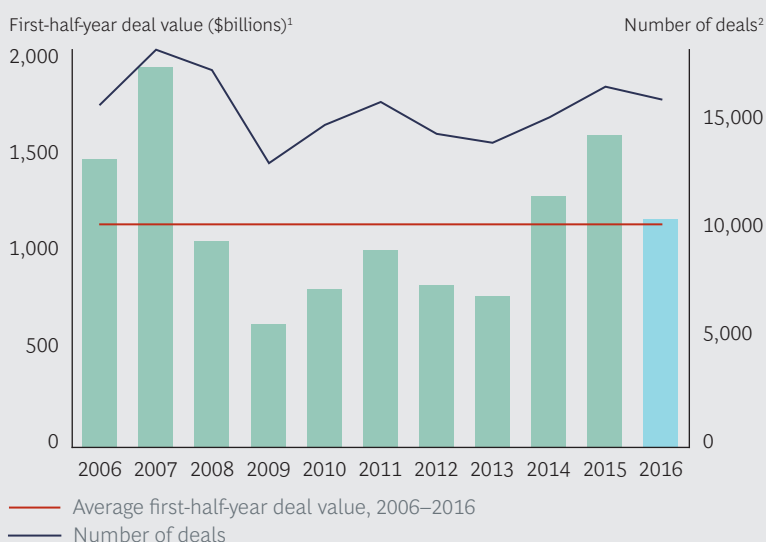
Other companies will continue with their strategic agenda despite the market backdrop—see Bayer’s bid for Monsanto or Microsoft’s proposal to acquire LinkedIn, for example. The first six months of 2016 have also highlighted (again) that China is a force to be reckoned with. ChemChina’s \$43 billion bid for agrochemical company Syngenta, HNA Group’s proposed \$6.3 billion acquisition of IT distributor Ingram Micro, and Midea’s \$4.5 billion tilt at industrial robot-maker Kuka are just three examples among many

EXHIBIT 7 | Deal Activity Is Still on a Par with the Ten-Year Average

27% DECREASE IN DEAL VALUE
(FIRST-HALF 2015 VERSUS
FIRST-HALF 2016) ...



... BUT ACTIVITY IS STILL ON A PAR WITH THE
TEN-YEAR HISTORICAL AVERAGE



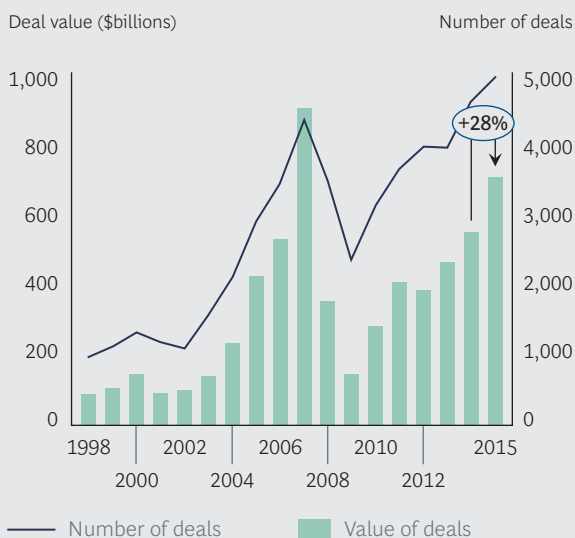
Sources: Thomson ONE Banker; BCG analysis.

¹Enterprise values include the net debt of targets.

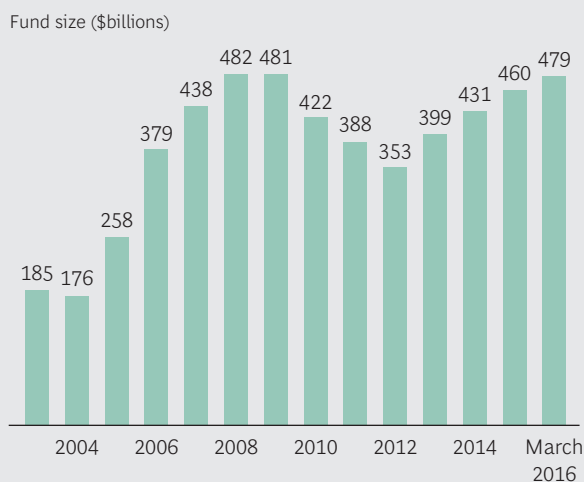
²The total number of deals excludes repurchases, exchange offers, recapitalizations, and spinoffs; there is no transaction-size threshold.

EXHIBIT 8 | Private Equity War Chests Keep Growing

DEVELOPMENT OF PE ACTIVITY¹



PE DRY POWDER ON A STEADY RISE²



Sources: Thomson ONE Banker; Preqin; BCG analysis.

Note: In the right-hand graphic, each bar represents data on December 31 of the year noted, with the exception of 2016, for which data is available only through March 31, 2016.

¹This analysis is based on completed deals, including buyouts and deals involving private equity sponsors, with at least 75% of shares acquired or divested.

²Amounts include buyout funds only.

EXHIBIT 9 | Shareholder Demand for M&A Is Stronger Than Ever

KEY TRENDS THAT DRIVE CORPORATE ACQUISITIONS



Shareholder demand for strategic M&A



Continuously cheap funding



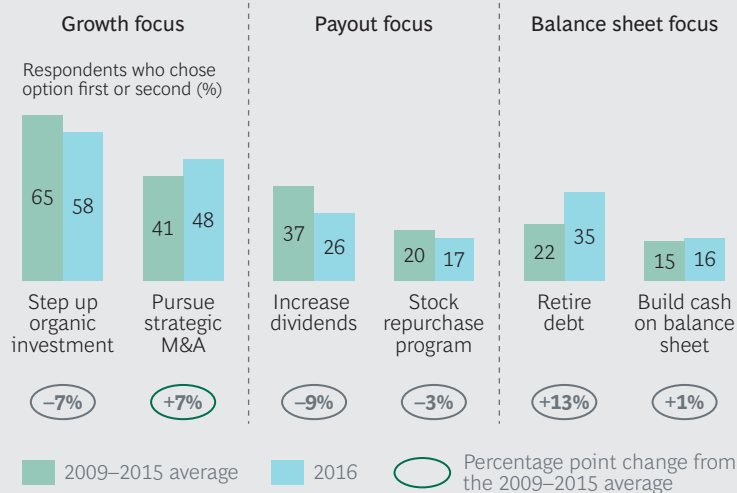
Silver bullet to counter slow economic growth



Safeguard against becoming a target in a consolidation play

INVESTORS BULLISH ON M&A

Survey question: "Given your expectations, what do you think the optimal deployment of capital and free cash flow should be for healthy companies that generate strong free cash flow beyond dividend and debt payment commitments?" Rank your top three options.



Sources: Industry reports; "In a Tough Market, Investors Seek New Ways to Create Value," BCG article, May 2016; 2016 BCG Investor Survey; BCG analysis.

Note: Responses to the option "pay special dividend" (9%) were excluded because this option was not offered in previous surveys.

that illustrate the magnitude of China's outbound M&A appetite.

No matter where the market goes, the core question is whether firms are generating superior returns for shareholders from the transactions that they pursue and at what level of risk—a factor often neglected in boardrooms when it comes to M&A decision making.

NOTE

1. BCG performs standard event-study analysis on each deal in our database to calculate the cumulative abnormal return (CAR) over the seven-day window centered around the date a deal was announced. Short-term returns are not distorted by other events—a material advantage over some other M&A metrics.

ARE DEAL-MAKING SKILLS VALUE-CREATING SKILLS?

LAST YEAR'S M&A REPORT looked into whether frequent acquirers grow faster and create more value for their shareholders. The 2014 report examined the importance of divestitures to creating value. Corporate leaders today are wise to consider options on both sides of the M&A board. And more often than not, buy-side and sell-side decisions are closely intertwined, as in when companies need to free up cash to buy a promising prospect or antitrust authorities require the sale of certain assets as part and parcel of a major acquisition.

Corporate leaders today are wise to consider options on both sides of the M&A board.

This year, we used our proprietary database of more than 54,000 M&A transactions since 1990 to assess whether companies can employ their deal-making skills on both sides of the transaction as a strategic tool for value creation, and if so, what sets these companies apart from other corporate buyers and sellers.

In our work with our clients, we see three typical types of corporate dealmakers. We call them “portfolio masters,” “strategic shifters,” and “one-timers.”

Portfolio masters are serial dealmakers such as GE, Accor, and Cisco; they use M&A as an instrument to routinely rebalance their portfolio of businesses, and many do so with frequency. In quantitative terms, we define portfolio masters as companies that execute at least five major transactions (buying or selling) over a five-year period.¹ For example, within the past five years (from 2011 through 2015), GE bought 19 major businesses and sold more than 50 major assets, such as its \$32 billion sale of NBC Universal to Comcast. (GE's total deal count for the period exceeds 300 when smaller deals and minority stakes are included.) Cisco acquired 17 companies while divesting its television set-top box business in 2015 to Technicolor.

Portfolio masters are a rare but prolific breed. Taking the full 25 years of transactions in our database into account, we can identify 1,339 companies in this category, representing only 6% of the companies in our sample. Yet these companies accounted for almost 14,000 deals, or about 25% of global M&A over the past 25 years, and an even higher share of total transaction volume (37%). They are responsible for many of the largest deals ever done and have an average transaction size of \$933 million.

Strategic shifters are companies that frequently rebalance their portfolios through M&A; they are involved in two to four transactions

over a five-year period. They make up approximately one quarter of companies in our sample (6,354) and include such names as Mattel, Texas Instruments, and K+S. This category was responsible for the largest share of transactions—about 22,000 deals worth close to \$13 trillion, or 40% of the total. These companies tend to have significant M&A experience but do not use deal making consistently as a primary tool for shaping their portfolios.

The largest group of companies by number (roughly two-thirds of the sample) are one-timers—more than 11 times as many companies as there are in the portfolio master category. Some 15,000 companies have made only one acquisition or divestiture each over a five-year time window. Yet, with a combined count of 18,891 deals since 1991, they represent 35% of total M&A deals globally.

One immediate conclusion: for the typical CEO, M&A is a once-in-a-lifetime activity; most companies prefer to pursue organic growth. As we shall see, this bias may work to their shareholders' detriment.

One-Timers Are Fast Out of the Gate

Investors like one-time dealmakers—at least in the short term. According to our sample, capital markets tend to buy into the story of a once-in-a-lifetime opportunity for acquirers. They are also appreciative when a company sheds a noncore asset that it more than likely held onto for too long. As a result, the initial capital market reaction is distinctly more positive for one-time dealmakers than for their more active counterparts.

One-timers receive the largest capital market appreciation of all three categories of corporate dealmakers, as expressed by short-term CAR—an average increase of 5.5%. This finding is consistent with our prior research on buy-side transactions (see “From Acquiring Growth to Growing Value,” BCG article, October 2015) and holds true across different market phases.² One-timers also have the highest share of deals that create a positive short-term market reaction: 64% of their deals were received positively by capital markets. By contrast, the average immediate excess return

for portfolio masters is only 0.5%. It seems that capital markets already factor in that frequent deal-making firms will engage in ongoing portfolio adjustments, so news of an upcoming acquisition or divestiture is actually no real news at all. (See Exhibit 10.)

Portfolio masters expose investors to the lowest level of risk.

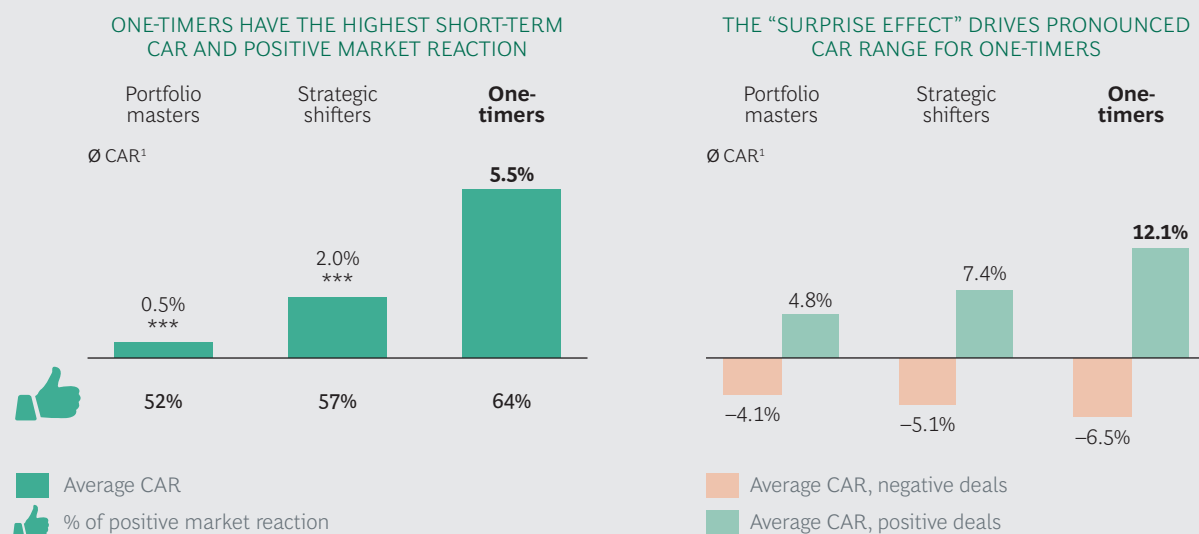
The element of surprise becomes more visible when looking at the range between each category's average positive and negative CAR on deal announcement. Favorably received deals by one-timers earn an average CAR of 12.1%, while deals raising doubts result in an average CAR of -6.5% on deal announcement. The spreads for strategic shifters (7.4% to -5.1%) and especially for portfolio masters (4.8% to -4.1%) are much narrower. Because portfolio masters and, to some extent, strategic shifters are better known quantities in an M&A context, investors expect them to engage in transactions and the assessments of their deals coalesce more quickly.

But Early Performance Does Not Hold Up

One year after the deal announcement date, portfolio masters clearly outperform, as measured by relative total shareholder return (RTSR)—that is, a company's total shareholder return (TSR) compared with its sector index. Portfolio masters generate an average RTSR of 4.1%—more than 1 percentage point higher than one-timers. Even more significant, portfolio masters generate their deal returns at significantly lower share price volatility (36% standard deviation of RTSR as compared with 50% for one-timers), exposing investors to the lowest level of risk. (See Exhibit 11.)

How do they do it? The biggest difference between portfolio masters and less experienced M&A dealmakers is their insight into the associated deal risk. Given their experience and frequent use of M&A as a strategic tool, port-

EXHIBIT 10 | One-Timers Achieve the Highest Announcement Returns



Sources: Thomson ONE Banker; BCG analysis.

Note: Deals include all types of transactions (public to public, public to private, and public to subsidiary). Between 1991 and 2015, a total of 12,847 deals were observed for portfolio masters, 19,164 deals for strategic shifters, and 15,216 deals for one-timers.

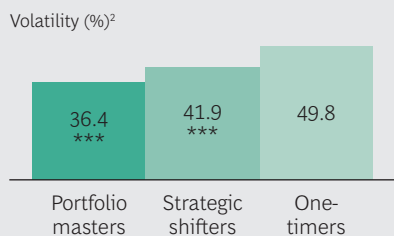
¹CAR = cumulative abnormal return calculated over a seven-day window centered around the announcement date (+3/-3). There is a statistically significant difference in CAR for portfolio masters versus strategic shifters and for strategic shifters versus one-timers (using a two-sample t-test): *significant at p<0.1; ** significant at p<0.05; *** significant at p<0.01.

EXHIBIT 11 | Portfolio Masters Outperform in the Medium Term

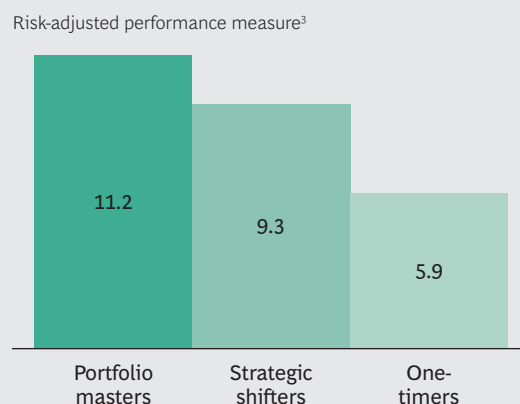
PORTFOLIO MASTERS OUTPERFORM ON ONE-YEAR RTSR ...



... WITH MUCH LOWER VOLATILITY ...



... RESULTING IN SIGNIFICANT RISK-ADJUSTED OUTPERFORMANCE



Sources: Thomson ONE Banker; BCG analysis.

Note: This analysis, which spans the years from 1991 through 2015, is based on a total of 39,812 buy-side and sell-side observations.

¹RTSR = relative total shareholder return one year after the announcement date; RTSR was winsorized at 1% and 99%.

²Volatility was measured as a standard deviation of RTSR.

³The risk-adjusted performance measure combines returns and volatility and is defined as RTSR over the standard deviation of RTSR, in the same vein as the commonly used Sharpe ratio. There is a statistically significant RTSR difference for portfolio masters and strategic shifters versus one-timers (using a two-sample t-test) as well as a statistically significant difference in the standard deviation of RTSR for portfolio masters versus strategic shifters and strategic shifters versus one-timers (using a two-sample variance ratio test): * significant at p<0.1; ** significant at p<0.05; *** significant at p<0.01.

folio masters are much better at predicting deal outcomes than less experienced companies. On the buy side, they estimate synergies and postmerger integration (PMI) costs more accurately, and they deliver on their projections. When shedding an asset, they understand the complexities involved, and they assess the impact on the rest of the organization. They—and their investors—know what to expect 12 months after a deal is announced.

Combining returns and volatility into a risk-adjusted performance measure (calculated as RTSR over the standard deviation of RTSR) demonstrates the significantly better performance of portfolio masters over strategic shifters and one-timers. Investors in portfolio masters enjoy the highest returns per “unit of risk”—11.2 for portfolio masters versus 9.3 and 5.9 for strategic shifters and one-timers, respectively.

It is for these reasons, perhaps, that investors’ comfort with portfolio masters’ strategies and execution extends to decisions that take these companies beyond their core markets. Portfolio masters appear to be largely immune from conglomerate discounts. (See the side-

bar, “Revisiting Conglomerate Discounts for Portfolio Masters.”)

Playing for the Long Term

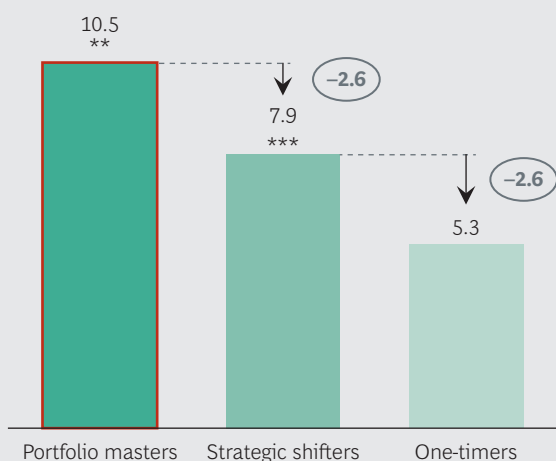
While portfolio masters earn higher one-year returns than their less experienced counterparts, this gap widens to an even greater margin in the long run. During the five years from 2011 through 2015, for example, portfolio masters’ average annual TSR of 10.5% is significantly higher than that of strategic shifters (7.9%) and one-timers (5.3%). (See Exhibit 12.) In other words, a shareholder that invested \$10,000 in the average portfolio master in 2011 was \$3,526 better off in 2016 than a shareholder that invested the same amount of capital in the average one-timer.

In addition, portfolio masters experience lower long-term share price volatility than their less acquisitive peers, exposing shareholders to less risk even though they engage in multiple portfolio shifts that could be assumed to impair daily operations. The average TSR volatility of portfolio masters is 3.4 points lower than that of strategic shifters and 8.4 points lower than that of one-timers.

EXHIBIT 12 | Portfolio Masters Outperform Most in the Long Run

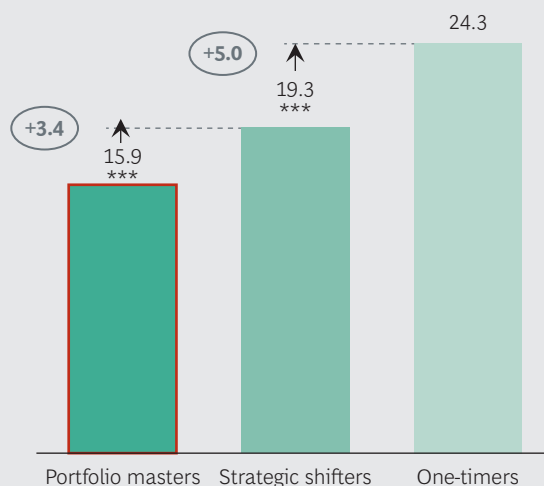
SIGNIFICANT TSR OUTPERFORMANCE
IN THE LONG RUN ...

Average annual five-year TSR (%)¹



... COMBINED WITH SUBSTANTIALLY
LOWER RISK

Volatility of average annual five-year TSR (%)¹



Sources: Thomson ONE Banker; BCG analysis.

Note: This analysis, which spans the years from 2011 through 2015, is based on a total of 4,647 company observations.

¹There is a statistically significant TSR difference for portfolio masters versus strategic shifters and strategic shifters versus one-timers (using a two-sample t-test) as well as a statistically significant difference in the standard deviation of TSR for portfolio masters versus strategic shifters and strategic shifters versus one-timers (using a two-sample variance ratio test): * significant at p<0.1; ** significant at p<0.05; *** significant at p<0.01.

REVISITING CONGLOMERATE DISCOUNTS FOR PORTFOLIO MASTERS

It’s a well-known truism that investors dislike diversification.

As we, among others, have shown, capital markets clearly favor focused companies over their more broad-based counterparts—and for a wide range of reasons. (See *Invest Wisely, Divest Strategically: Tapping the Power of Diversity to Raise Valuations*, BCG Focus, April 2014.) So one has come to expect higher shareholder returns from firms that focus expressly on certain technologies or industries while diversified companies are saddled with a “conglomerate discount.”

For portfolio masters, however, this paradigm does not apply. We find only a marginal difference between portfolio masters that pursue a diversifying strategy and those that narrow their activities, either one year after the deal announcement or over an entire five-year time period. (See the exhibit below.) We define a company following a

diversifying strategy as one that has, over a five-year period, done more than three M&A deals—either acquisitions outside of its home industry or divestments of operations within its core industry, as measured by the two-digit Standard Industrial Classification (SIC) code.

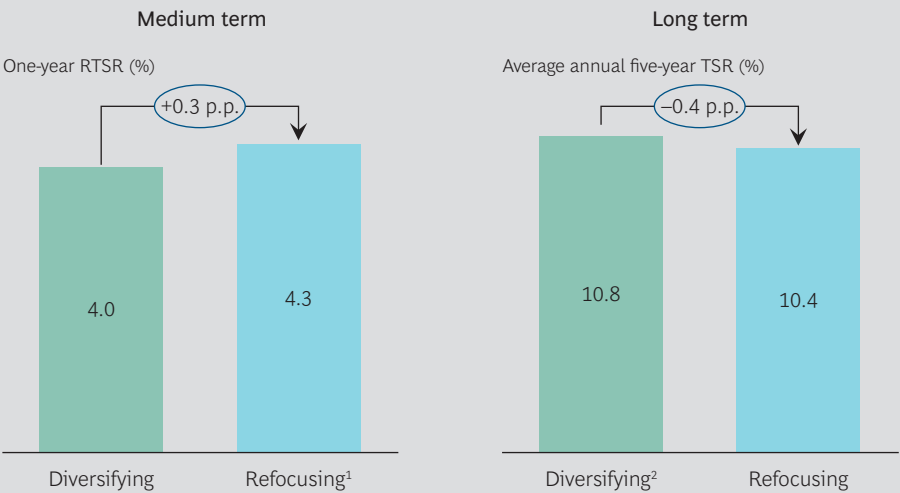
How can this be? Investors are supposed to favor more focused companies because of their superior capital allocation and potential to unlock synergies from related businesses.

In fact, portfolio masters do exactly what investors want companies to do. They systematically review their portfolios—asking with respect to each business or asset, are we currently investing our shareholders’ money in the most value-generating way possible? If the answer is no (which it often is), and there is a better opportunity beyond the current corporate borders, they use M&A as a strategic tool to

Portfolio Masters Enjoy Similar Returns for Different Strategies

MEDIUM-TERM RETURNS ON DIVERSIFIED AND REFOCUSED PORTFOLIOS ARE ALMOST ON A PAR ...

... AND THERE IS NO REAL DIFFERENCE IN LONG-TERM VALUE CREATION



Sources: Thomson ONE Banker; BCG analysis.

Note: A deal is classified as “diversifying” if the two-digit SIC code of the target company is not the same as one of the two-digit SIC codes of the acquirer.

¹This analysis of RTSR spans one-year periods from 1991 through 2015.

²Portfolio masters are classified as “diversifying” when they have done more than three diversification deals within the five-year period from 2011 through 2015.

REVISITING CONGLOMERATE DISCOUNTS FOR PORTFOLIO MASTERS (continued)

seize it—and thereby improve their capital allocation. Since their decisions are well grounded in an objective strategic review, it is easy for them to argue that their actions favor their investors. Whether these companies decide to divest a former core asset, invest in a new technology or sector, or add an additional but synergetic pillar to

their existing operations, investors have come to understand—and trust—that their decisions are made with value creation in mind and that management is good at identifying, acting on, and realizing the potential of all kinds of M&A opportunities.

It may seem counterintuitive, but the data is clear: the more frequent M&A activities of portfolio masters produce superior shareholder returns at lower risk in the medium and long term than those of less frequent acquirers. This begs the questions, explored in the next chapter, of how portfolio masters work their magic and whether companies that develop from one-timers into portfolio masters also see an increase in their returns. Or put another way, can deal-making neophytes learn to become M&A masters?

NOTES

1. We have included only deals valued at more than \$25 million with the acquisition or divestiture of at least 75% of the shares.
2. One-timers achieved higher CAR than portfolio masters across each five-year window from 1991 through 2015.

MAKING M&A WORK

THE CHARACTERISTICS THAT SET PORTFOLIO MASTERS APART

THE EVIDENCE IS CONCLUSIVE—portfolio masters outperform other dealmakers over the medium and long term. But what do they do differently—or better—when it comes to M&A?

Based on interviews we conducted two years ago with senior managers, investors, and sell-side analysts about successful serial acquirers, we concluded that the single factor that most often distinguishes these companies is their willingness to invest large amounts of leadership time, money, and organizational focus in support of their M&A strategy—in advance of any particular deal. (See “Unlocking Acquisitive Growth: Lessons from Successful Serial Acquirers,” BCG Perspectives, October 2014.) Our 2016 analysis of thousands of transactions over the 25 years from 1991 through 2015 identifies four additional characteristics that distinguish portfolio masters from other companies in both their buying and selling activities.

Four Characteristics of Portfolio Masters

The four key characteristics of portfolio masters, which other companies can emulate, are:

- **Be bold.** Portfolio masters are willing to pay higher multiples for the right deals because they know what it will take to make the transaction work and have more

experience in assessing potential synergies and integration costs.

- **Buy growth over margin.** Portfolio masters buy high-growth firms and sell divisions that do not deliver on their growth targets. Further, they are willing to dilute their margins temporarily with the confidence that they can improve combined margins over time.

Portfolio masters are bold, agnostic about the market, buy growth, and move fast.

- **Don't worry about the market.** Portfolio masters are agnostic about the market environment and actually do more deals during volatile times, taking advantage of lower competition.
- **Move fast.** Portfolio masters are quicker to close transactions than strategic shifters and one-timers, reflecting their experienced and well-honed transaction processes.

Be bold. Portfolio masters are not shy about paying up when they have an attractive transaction in their sights. They are willing to pay top multiples and high premiums in

order to land their targets, which evidences confidence in their target analysis and selection process as well as in their ability to make the deal work. (See Exhibit 13.)

In our sample, portfolio masters pay, on average, a multiple of almost 12 times EBITDA, compared with multiples of 10.3 and 10.1 times EBITDA paid by strategic shifters and one-timers, respectively. This shows that for the right quality asset, portfolio masters do not shy away from paying high valuations. The fact that portfolio masters also pay higher deal premiums—an average of 2 to 3 percentage points higher—further underscores that they are more confident they will achieve higher synergies and therefore willing to strike when the deal is right.

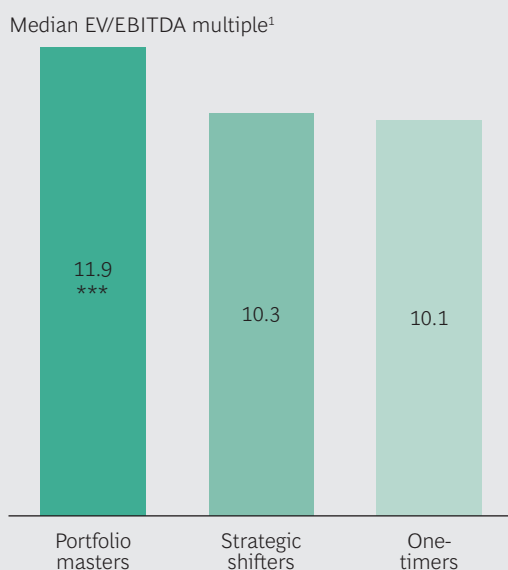
Portfolio masters also do more of their deals purely in cash, another indication of confidence: approximately 60% of acquisitions by portfolio masters were paid for with cash only, compared with 46% by one-timers. Knowing that they can harvest deal synergies, portfolio masters are less willing to share the

future upside with the target company's shareholders, and they know that cash deals generally require a smaller premium than those involving stock because cash removes any uncertainty as to the value to the target's shareholders.

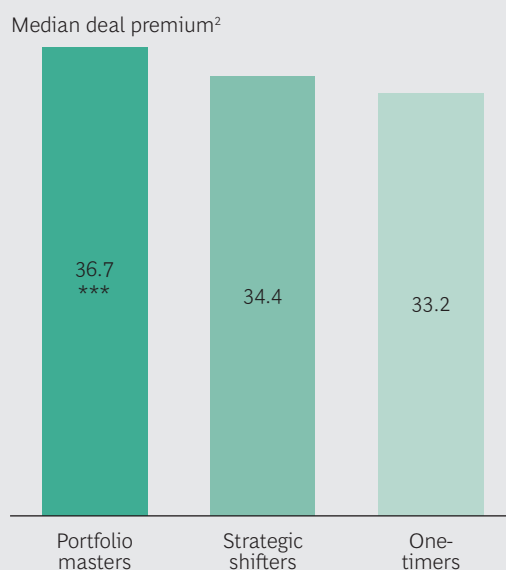
Buy growth over margin. Portfolio masters systematically swap their portfolio assets for higher growth—that is, they buy higher-growth companies and sell lower-growth operations—in stark contrast to one-timers and strategic shifters, which do the reverse. Revenue growth is a key driver of TSR, and portfolio masters use M&A to boost growth and weed out lower-growth assets. (See Exhibit 14 and “The 2015 Consumer Value Creators Series: The Return of Growth,” BCG article, December 2015.) To achieve growth, portfolio masters are even willing to add lower-margin firms to the portfolio (reflected in the largest margin differential of close to 3 percentage points between portfolio masters' existing portfolios and those of their targets), since they are confident that they can improve the target's EBITDA through effective PMI.

EXHIBIT 13 | Portfolio Masters Are Willing to Pay More for Their Targets

ON AVERAGE, PORTFOLIO MASTERS PAY HIGHER EBITDA MULTIPLES ...



... AS WELL AS HIGHER PREMIUMS



Sources: Thomson ONE Banker; BCG analysis.

Note: The analysis of multiples, which spans the years from 1991 through 2015, is based on a total of 4,682 observations. The analysis of deal premiums, which spans the same years, is based on a total of 6,811 observations. There is a statistically significant multiple difference for portfolio masters versus one-timers (using a rank-sum test): * significant at $p < 0.1$; ** significant at $p < 0.05$; *** significant at $p < 0.01$.

¹This analysis excludes observations with EV/EBITDA multiples higher than 50 as well as companies in the financial services industry.

²Deal premiums are calculated based on trading values four weeks before announcement.

EXHIBIT 14 | Portfolio Masters Buy High Growth Rather Than Margin

PORTFOLIO MASTERS BUY HIGHER-GROWTH COMPANIES AND SELL LOWER-GROWTH OPERATIONS WHILE THEIR PEERS DO THE OPPOSITE

Median target sales growth in the announcement year (%)¹



PORTFOLIO MASTERS ACQUIRE TARGETS WITH THE LARGEST MARGIN DIFFERENTIAL, WHICH REFLECTS CONFIDENCE IN PMI

	Acquirer's EBITDA margin (%) ²	Target's EBITDA margin (%) ²	Margin differential (p.p.) ³
Portfolio masters	18.7	15.8	2.9
Strategic shifters	16.2	14.5	1.7
One-timers	15.1	12.6	2.5

Sources: Thomson ONE Banker; Thomson Reuters Datastream; BCG analysis.

Note: This analysis, which spans deals done from 1991 through 2015, is based on a total number of 26,908 observations on margins.

¹This analysis includes transactions done by companies in the financial services industry.

²This analysis excludes transactions done by companies in the financial services industry. Margins are calculated using data one year prior to the announcement date.

³p.p. = percentage points.

Don't worry about the market. When it comes to deal making, portfolio masters are generally the most agnostic about the broader economic picture (as measured by GDP) and market uncertainty (as measured by stock market volatility). They buy and sell in all types of environments. (See Exhibit 15.) Our sample indicates that portfolio masters actually prefer higher-volatility markets, which offer them the opportunity to deploy their full M&A capabilities in an environment of uncertainty when competitors hesitate or are less sure.

While portfolio masters are most active during periods of low growth and high volatility, they generate positive excess returns (as measured by one-year post-transaction announcement RTSR) across all market cycles, regardless of growth-volatility combinations.

Portfolio masters' success in all environments suggests that they have a high level of agility in adapting their capabilities and processes to changing circumstances and operate with a long-term view. They regard M&A as an always-available weapon in their strategic arsenal; transaction sourcing, executing, and

integrating are all part of daily business life. They are motivated far more by strategic rationale than circumstantial incentives (such as cheap funding).

Move fast. With an average closing time of 72 days for acquisitions and 82 days for divestitures, portfolio masters execute transactions 30 days faster than one-timers, which lose one full month between contract and closing—a time when they have limited control over their assets. This gives active dealmakers a head start on PMI or ensures earlier carve-out execution, which, as we have discussed before, is where much of the value in M&A is realized.

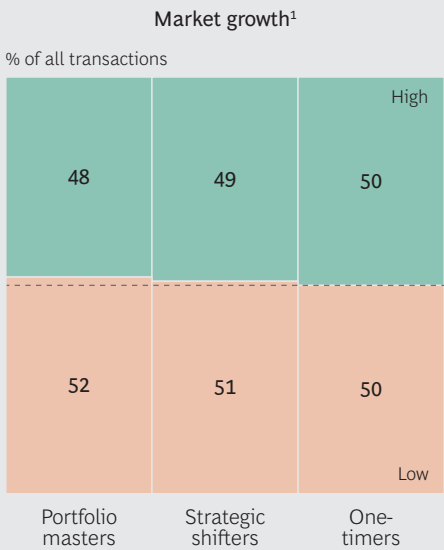
Moving Up Can Pay Off

Portfolio masters reap higher returns. But can companies increase their returns for shareholders by moving up the M&A ladder, from one-timer to strategic shifter or portfolio master? The evidence suggests that they can. (See Exhibit 16.)

For example, the 37% of one-timers that moved up to strategic shifters generated

EXHIBIT 15 | Portfolio Masters Do Deals Regardless of Market Conditions

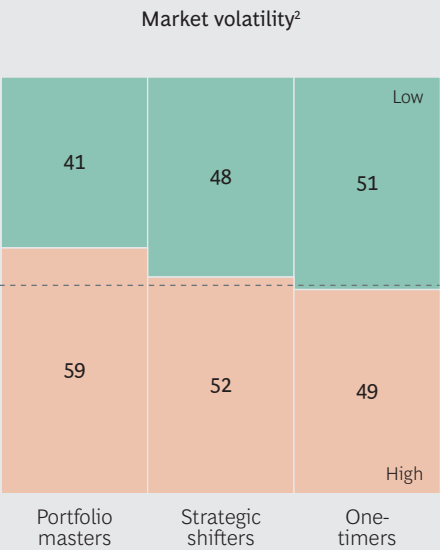
PORTFOLIO MASTERS BUY AND SELL
IN HIGH- AND LOW-GROWTH ENVIRONMENTS



POSITIVE
ENVIRONMENT

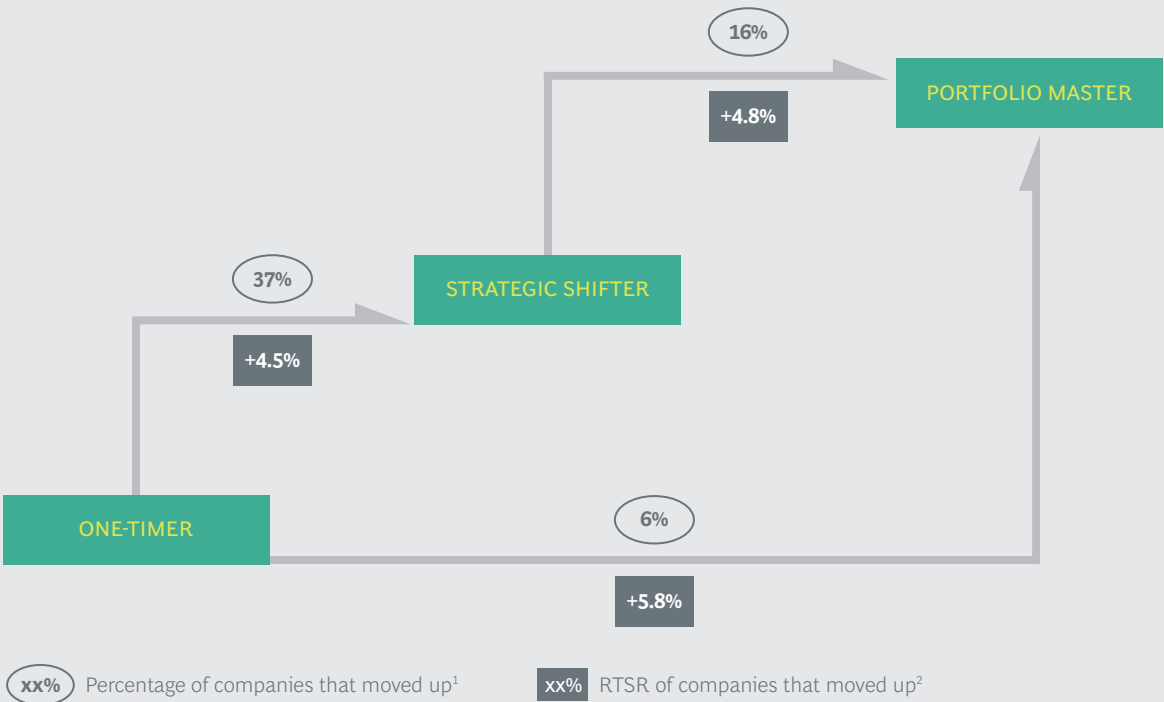
NEGATIVE
ENVIRONMENT

PORTFOLIO MASTERS DO MORE DEALS
IN HIGH-VOLATILITY MARKETS



Sources: Thomson ONE Banker; Thomson Reuters Datastream; BCG analysis.
Note: This analysis spans 25 years, from 1991 through 2015, and is based on a total of 54,574 observations.
¹The market cycle is measured by world GDP growth.
²Volatility is measured by the Chicago Board Options Exchange Volatility Index (VIX) at the respective year end; years are separated into two groups by the respective median of the relevant metric.

EXHIBIT 16 | Moving Up the M&A Ladder Improves Shareholder Value



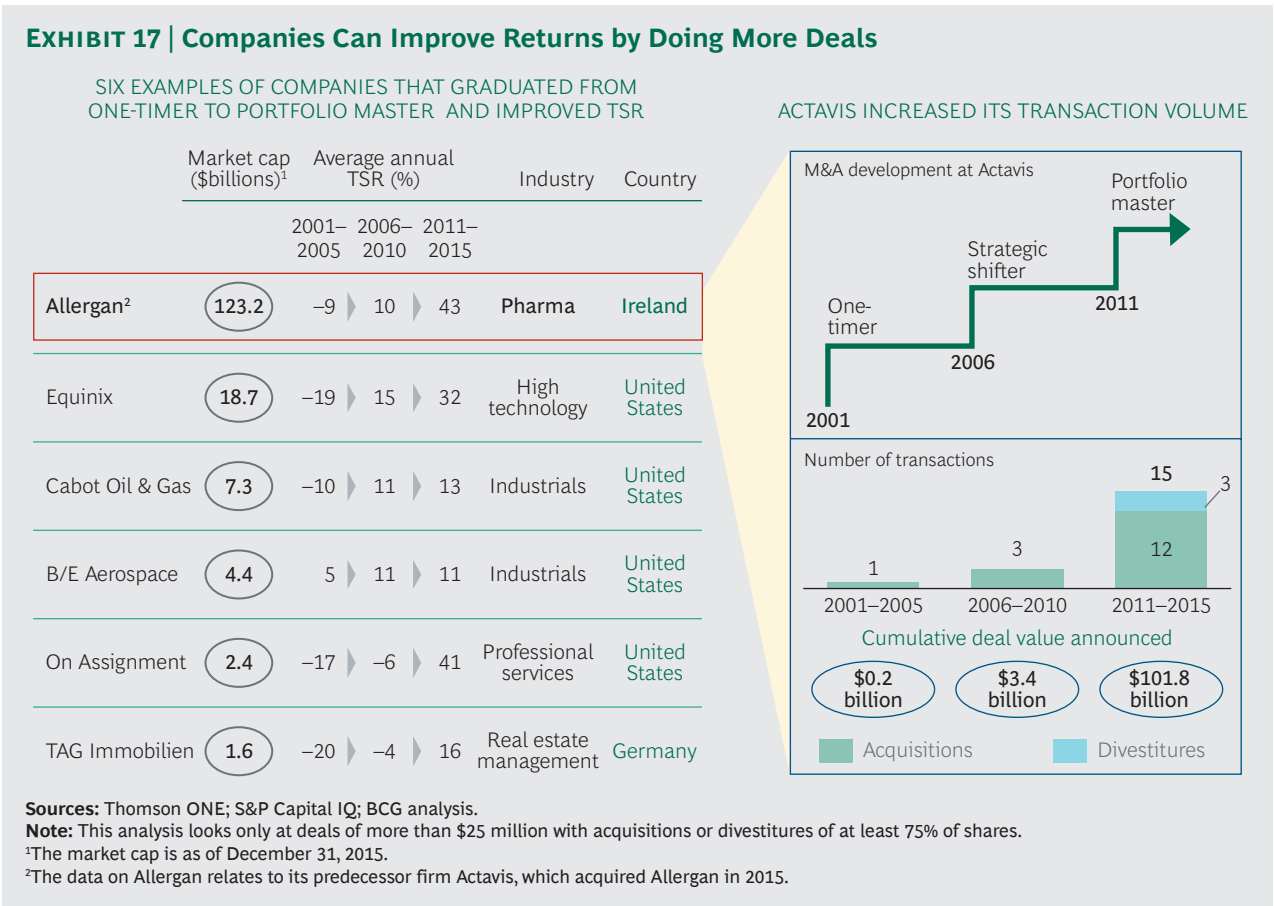
Sources: Thomson ONE Banker; BCG analysis.
Note: Performance is based on a total number of 28,463 observations from 1991 through 2015.
¹Indicates the percentage of companies that moved up from one category to another (from one-timer to strategic shifter to portfolio master) spanning the period from 1991 through 2015 as observed in five-year cycles.
²Performance is based on one-year RTSR.

average one-year RTSR of 4.5%. The 16% of strategic shifters that moved up to portfolio master status generated average one-year RTSR of 4.8%. By comparison, companies that stayed in place or moved down the M&A ladder generally saw minimal or even negative RTSR as a consequence.

Take the example of pharmaceutical company Actavis that became Allergan through a \$71 billion acquisition in 2015. (See Exhibit 17.) Since 2001, the company increased its deal activity over the course of three successive five-year periods—starting with 1 transaction (2001 through 2005), followed by 3 transactions (2006 through 2010), and then 15









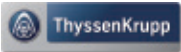















buy- and sell-side transactions (2011 through 2015). Over the same time horizon, it improved average annual TSR from –9% to 43%.











CEOs should take note. Not only does consistent deal making create value, not making deals does a disservice to investors. This does not mean that every company, or management team, is cut out to become a deal-making machine. But those managements that do not hone their M&A skills and deploy them on a continuing basis are effectively leaving a powerful value-creating tool unused in the toolbox.







APPENDIX

SELECTED TRANSACTIONS, 2016, 2015, AND 2014








































Corporate Transactions				
<div>2016</div> <div></div> <div>Sale of Voith Industrial Services</div> <div>Strategic advisor to the seller</div> <div>Value not disclosed</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>	<div>2016</div> <div> </div> <div>Strategic advisor to the seller</div> <div>\$310 million</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>	<div>2016</div> <div> </div> <div>Strategic advisor to the buyer</div> <div>\$6.8 billion</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>	<div>2016</div> <div> </div> <div>Strategic advisor to the buyer</div> <div>\$80 million</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>	<div>2015</div> <div> </div> <div>Strategic advisor to the seller</div> <div>\$280 million</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>
<div>2015</div> <div> </div> <div>Strategic advisor to the seller</div> <div>Value not disclosed</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>	<div>2015</div> <div> </div> <div>Strategic advisor to the buyer</div> <div>\$142 million</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>	<div>2015</div> <div> </div> <div>Strategic advisor to the buyer</div> <div>\$19.1 billion</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>	<div>2015</div> <div>  </div> <div>Strategic advisor to the buyer</div> <div>Value not disclosed</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>	<div>2015</div> <div> </div> <div>Strategic advisor to the buyer</div> <div>\$2.3 billion</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>
<div>2015</div> <div>  </div> <div>Strategic advisor to the buyer</div> <div>\$131 million</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>	<div>2015</div> <div> Pharma CMO business of </div> <div>Strategic advisor to the buyer</div> <div>€270 million</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>	<div>2015</div> <div> </div> <div>Strategic advisor to the buyer</div> <div>\$599 million</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>	<div>2015</div> <div> </div> <div>Strategic advisor to the buyer</div> <div>Value not disclosed</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>	<div>2015</div> <div> </div> <div>Strategic advisor to the buyer</div> <div>\$218 million</div> <div>BCG</div> <div><small>The Boston Consulting Group</small></div>

<p>2015</p>  <p>Strategic advisor to the buyer</p> <p>\$8.1 billion</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2015</p>  <p>Strategic advisor to the buyer</p> <p>\$547 million</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2015</p>  <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2015</p>  <p>Consumer health</p> <p>Establishment of joint venture</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2014</p>  <p>Pharmaceutical Devices and Prescription Retail Packaging</p> <p>Strategic advisor to the seller</p> <p>\$805 million</p> <p>BCG <small>The Boston Consulting Group</small></p>
<p>2014</p>  <p>Strategic advisor to the seller</p> <p>Value not disclosed</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2014</p>  <p>Strategic advisor to the seller</p> <p>€1 billion</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2014</p>  <p>Strategic advisor to the seller</p> <p>€1.3 billion</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2014</p>  <p>Strategic advisor to the seller</p> <p>€783 million</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2014</p>  <p>Strategic advisor to the buyer</p> <p>\$411 million</p> <p>BCG <small>The Boston Consulting Group</small></p>
<p>2014</p>  <p>Strategic advisor to the buyer</p> <p>€1.3 billion</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2014</p>  <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2014</p>  <p>Strategic advisor to the buyer</p> <p>€308 million</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2014</p>  <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2014</p>  <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG <small>The Boston Consulting Group</small></p>

Private Equity Transactions

<p>2016</p>  <p>Strategic advisor to the buyer</p> <p>\$388 million</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2016</p>  <p>Strategic advisor to the buyer</p> <p>\$18 million</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2016</p>  <p>Strategic advisor to the buyer</p> <p>\$344 million</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2016</p>  <p>Strategic advisor to the buyer</p> <p>\$360 million</p> <p>BCG <small>The Boston Consulting Group</small></p>	<p>2015</p>  <p>Strategic advisor to the seller</p> <p>\$154 million</p> <p>BCG <small>The Boston Consulting Group</small></p>
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Private Equity Transactions (continued)

<p>2015</p>   <p>Strategic advisor to the seller</p> <p>\$3.7 billion</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p>  <p>Strategic advisor to the seller</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p>   <p>Strategic advisor to the seller</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p>   <p>Strategic advisor to the seller</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p>   <p>Strategic advisor to the seller</p> <p>\$24 million</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>
<p>2015</p>   <p>Strategic advisor to the seller</p> <p>\$714 million</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p>   <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p> <p>JAB HOLDING</p>  <p>Strategic advisor to the buyer</p> <p>\$258 million</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p> <p>Apax PARTNERS</p>  <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p> <p>THE CARLYLE GROUP</p>  <p>Strategic advisor to the buyer</p> <p>\$98 million</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>
<p>2015</p>  <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p>   <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p> <p>ALTA SI PARTNERS</p>  <p>Strategic advisor to the buyer</p> <p>\$800 million</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p> <p>THE CARLYLE GROUP</p>  <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p>   <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>
<p>2015</p>   <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p> <p>HELLMAN & FRIEDMAN</p>  <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p> <p>JAB HOLDING</p>  <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p>   <p>Strategic advisor to the buyer</p> <p>\$543 million</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p>   <p>Strategic advisor to the buyer</p> <p>\$28 million</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>
<p>2015</p> <p>BC Partners</p>  <p>Strategic advisor to the buyer</p> <p>\$1.9 billion</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p>   <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p>   <p>Strategic advisor to the buyer</p> <p>\$950 million</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p> <p>Apax PARTNERS</p>  <p>Strategic advisor to the buyer</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>	<p>2015</p>   <p>Commercial due diligence provider</p> <p>Value not disclosed</p> <p>BCG</p> <p><small>The Boston Consulting Group</small></p>

2014

BC Partners

PETSMART

Strategic advisor to the buyer

\$8.7 billion

BCG
The Boston Consulting Group

2014

CLESSIDRA
Capital Partners

Harmont & Blaine
(Minority stake)

Strategic advisor to the buyer

Value not disclosed

BCG
The Boston Consulting Group

2014

CapMan

HARVIA

Strategic advisor to the buyer

\$124 million

BCG
The Boston Consulting Group

2014

PORSCHE SE

INRIX

Strategic advisor to the investor

\$55 million

BCG
The Boston Consulting Group

2014

Goldman Sachs

MISTER SPEX

Strategic advisor to the investor

\$40 million

BCG
The Boston Consulting Group

2014

Astorg
private equity

Montagu
private equity

sebia

Strategic advisor to the buyer

€1.4 billion

BCG
The Boston Consulting Group

2014

Montagu
private equity

open gi

Strategic advisor to the buyer

Value not disclosed

BCG
The Boston Consulting Group

2014

EQT
BSNmedical

sorbion
health needs care

Strategic advisor to the buyer

Value not disclosed

BCG
The Boston Consulting Group

2014

CPP INVESTMENT BOARD

Interparking
(Minority stake)

Strategic advisor to the buyer

€376 million

BCG
The Boston Consulting Group

2014

EMERAM
CAPITAL PARTNERS

Bench.

Strategic advisor to the buyer

Value not disclosed

BCG
The Boston Consulting Group

2014

THL Thomas H. Lee Partners

PHILLIPS
PET FOOD & SUPPLIES
SINCE 1939

Strategic advisor to the buyer

Value not disclosed

BCG
The Boston Consulting Group

2014

方源資本
FOUNTAINVEST PARTNERS

KHB

Strategic advisor to the buyer

\$264 million

BCG
The Boston Consulting Group

2014

senticapartners

sectoleasing

Strategic advisor to the buyer

Value not disclosed

BCG
The Boston Consulting Group

2014

CapMan

KAMP
GROUP

Strategic advisor to the buyer

Value not disclosed

BCG
The Boston Consulting Group

2014

PAROC
Lenders & Employees

PAROC

Strategic advisor to the seller

\$700 million

BCG
The Boston Consulting Group

2014

BC Partners

spotless
Group

Strategic advisor to the seller

€940 million

BCG
The Boston Consulting Group

2014

ALTOR
Private Equity

sonion

Strategic advisor to the seller

Value not disclosed

BCG
The Boston Consulting Group

2014

RANK GROUP LIMITED

SIG

Strategic advisor to the seller

€3.75 billion

BCG
The Boston Consulting Group

2014

eci

cartrawler
with you all the time

Strategic advisor to the seller

Value not disclosed

BCG
The Boston Consulting Group

2014

Bridgepoint

CABB

Strategic advisor to the seller

€800 million

BCG
The Boston Consulting Group

2014

IG & P

BRICKMAN

Strategic advisor to the seller

\$1.6 billion

BCG
The Boston Consulting Group

2014

Triton

WITTUR

Strategic advisor to the seller

Value not disclosed

BCG
The Boston Consulting Group

2014

Bridgepoint
Development Capital

Pulsant
Business Unlimited

Strategic advisor to the seller

Value not disclosed

BCG
The Boston Consulting Group

2014

HgCapital }

RELAY
software

Strategic advisor to the buyer

Value not disclosed

BCG
The Boston Consulting Group

2014

KKR

NATIONAL VISION
in

Strategic advisor to the buyer

Value not disclosed

BCG
The Boston Consulting Group

FOR FURTHER READING

The Boston Consulting Group publishes many reports and articles on corporate development and finance, M&A, and PMI that may be of interest to senior executives. The following are some recent examples.

Postmerger Integration Rejuvenation

BCG Perspectives, June 2016

In a Tough Market, Investors Seek New Ways to Create Value

An article by The Boston Consulting Group, May 2016

How to Successfully Manage Joint Ventures in China

A Focus by The Boston Consulting Group, March 2016

To Centralize or Not to Centralize?

An article by The Boston Consulting Group, December 2015

From Buying Growth to Building Value: Increasing Returns with M&A

The 2015 M&A Report, October 2015

Why Deals Fail

An article by The Boston Consulting Group, October 2015

Value Creation for the Rest of Us

The 2015 Value Creators Report, July 2015

M&A in China: Getting Deals Done, Making Them Work

A Focus by The Boston Consulting Group, January 2015

Unlocking Acquisitive Growth: Lessons from Successful Serial Acquirers

BCG Perspectives, October 2014

When the Growing Gets Tough, the Tough Get Growing

BCG Perspectives, October 2014

Don't Miss the Exit: Creating Shareholder Value Through Divestitures

The 2014 M&A Report, September 2014

Taking a Portfolio Approach to Growth Investments

BCG Perspectives, July 2014

Growth for the Rest of Us

BCG Perspectives, January 2014

Divide and Conquer: How Successful M&A Deals Split the Synergies

A Focus by The Boston Consulting Group and Technische Universität München, March 2013

NOTE TO THE READER

About the Authors

Jens Kengelbach is a partner and managing director in the Munich office of The Boston Consulting Group, the firm's global head of M&A, and leader of the BCG Transaction Center. He is also a member of the firm's Corporate Development and Industrial Goods practices. **Georg Keienburg** is a principal in BCG's Cologne office and a core member of the Corporate Development and Industrial Goods practices. He is also a member of the BCG Transaction Center. **Timo Schmid** is an M&A expert principal in the firm's Munich office. He is a core member of the Corporate Development practice and the BCG Transaction Center. **Sönke Sievers** holds the chair of international accounting at Paderborn University. **Oliver Mehring** is a research assistant at Paderborn University.

Paderborn University

This report would not have been possible without the partnership of Paderborn University, the University for the Information Society, which has a strong foundation in computer science and its applications. Paderborn's chair of international accounting, Sönke Sievers, focuses on research relating to information processing in financial markets and valuation. In addition to academic research, he intensively collaborates with business partners to advance knowledge in the fields of corporate finance, accounting, and mergers and acquisitions. For more information, please visit www.upb.de/accounting.

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For Further Contact

This report is a product of BCG's Corporate Development practice, which works with its clients to deliver solutions to the challenges addressed in this report. If you would like to discuss the insights drawn from this report or learn more about the firm's capabilities in M&A, please contact one of the authors.

Jens Kengelbach

Partner and Managing Director
BCG Munich
+49 89 231 740
kengelbach.jens@bcg.com

Georg Keienburg

Principal
BCG Cologne
+49 221 55 00 50
keienburg.georg@bcg.com

Timo Schmid

Principal
BCG Munich
+49 89 231 740
schmid.timo@bcg.com

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Fax: +1 617 850 3901, attention BCG/Permissions

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The Boston Consulting Group, Inc.

One Beacon Street

Boston, MA 02108

USA

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