



VENUE® Market Spotlight

## EUROPEAN M&A POST GREECE

August 2015 Edition

**RR DONNELLEY**



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# WELCOME

Dear Valued Reader,

Welcome to the August 2015 edition of the *Venue Market Spotlight*. This month, we take a closer look at what the proposed agreement between Greece and its creditors will mean for M&A in the country, as well as what it might mean for deal-making in the rest of Europe.

On the face of it, European M&A, while down, is simply following a global trend of calm after recent record highs. Volumes are slightly down for the first half of 2015 compared with a year previous, as they are across the board. However, a closer look reveals a different story. Globally, volumes in H1 2015 fell by 8.2% year-on-year. In Europe, volume fell by 12.9% over the same period. For deal value, the difference is even more pronounced. Globally, despite the volume slump, values increased by 16.6% in H1 2015. In Europe, they fell by 5%.

This deal-making downturn has been exacerbated by several factors specific to Europe. Turmoil in the east, for instance, has stymied investment into the region. Elsewhere, uncertainty over whether countries such as the United Kingdom will remain in the European Union has caused potential buyer concern. And, of course, the ongoing wrangling between Greece and its creditors, as well as general instability across the Eurozone, has had the world holding its breath. Yet, on the back of the recent deal made between Greece and its creditors, the majority of respondents to this month's *Spotlight* do expect European M&A to increase as a result. The outlook for Greek deal-making, however, is much less clear.

With over 500 global locations, at RR Donnelley we understand the complexity, and oftentimes uncertainty of the global capital markets. Not only do we focus on equipping the deal-making community with the tools they need to for any type of deal - anywhere - but our breadth of wholly owned financial services enable us to keep our finger on the pulse of the market.

As always, please enjoy this month's *Spotlight*.

Sincerely,



Tom Juhase  
President, Financial Services Group  
RR Donnelley

# FOREWORD

Uncertainty has been the watchword in Europe for the last few years. The shadow of a sovereign debt crisis led the continent and one of its constituents, Greece, into a political impasse regarding how to deal with the country's severe capital issues. This has exacerbated poor economic performance. In the first quarter, the Eurozone countries together saw combined GDP grow by just 0.4% in the first quarter of 2014, while the euro currency itself has continued its slide against the US dollar.

With this in mind, news that a deal between Greece and its creditors was reached in July was greeted with optimism, and fueled hope that it would lead to the stability needed to improve Europe and Greece's economic outlook. When it comes to deal-making, however, the watchword has shifted to caution, going by responses to this month's *Spotlight*. The need for caution was only reinforced by the recent resignation of Greece's prime minister, prolonging the political instability of the country. While over two-thirds of respondents believe M&A in Europe will increase, for example, they are split as to whether Greek deal-making will go up or down. This reflects the challenges both Europe and Greece will face in the coming month as the deal struck is turned into reality.

#### Other key findings include:

- More than a third of respondents see slow growth in Germany as the biggest long-term obstacle to Europe. Securing the Eurozone and managing high levels of debt in countries such as Greece and Spain were seen as the biggest problems by 20% of respondents each.
- Political reform is seen as the major change needed for Greece's M&A prospects by nearly half of respondents. A fifth cited continued outside financial support as the thing that was most needed, while 16% selected cracking down on corruption.
- Over half of respondents believe that the consumer sector will be one of the main two beneficiaries in terms of M&A in the wake of the deal. Forty percent also see the financial services sector as being one of the big sectors for deal-making, while 36% chose energy, mining and utilities.

While the emergence of a deal indicated positive progress for corporates and deal practitioners, the resignation of Greece's prime minister signifies continued political instability, and thwarting hopes that normalcy will soon be restored. This renewed uncertainty places a question mark over whether M&A can return to the pace set in 2014, as well as globally on average.

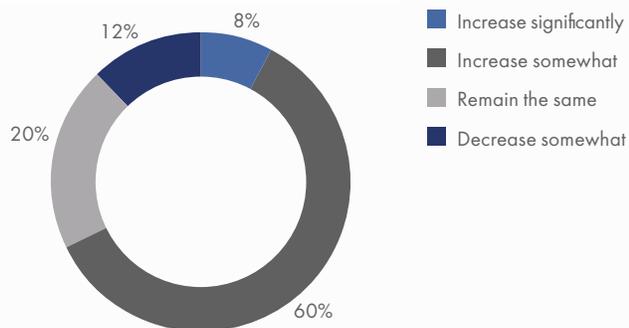
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Political reform is seen as the major change needed for Greece's M&A prospects by nearly half of respondents.

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# SURVEY

What does the outlined agreement for a Greek bailout program mean for European deal-making?

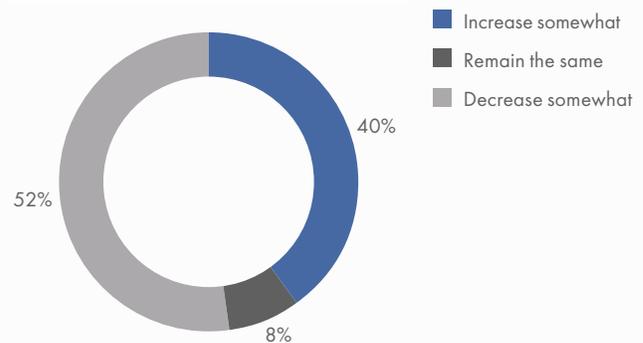


More than two-thirds of respondents (68%) expect European deal-making to increase in the wake of a Greek agreement. Twenty percent think M&A activity will be unchanged as a result, while 12% believe it will actually decrease, to an extent.

For some respondents, the idea that the agreement can let the rest of Europe shift focus away from Greece might provide a boost for activity. "I think everyone is trying to get over Greece and is ready to move on," says one Germany-based Corporate Development Director. "Everyone had enough of Greece and there is anticipation about 'let's leave Greece behind and move ahead'. Investors are targeting the positive aspects of Europe and with that I think deal-making will get better."

Those who felt activity would remain the same believe that it is premature to predict any particular changes, given the fluidity of the situation. As one US-based M&A director explains: "The bailout agreement might give some speed for M&A activity across Europe, but overall the situation is very weak and sentiments are very negative. For now, I think M&A activity will remain the same until concrete improvements are seen in Greece and across Europe."

What will the deal mean for Greek M&A?



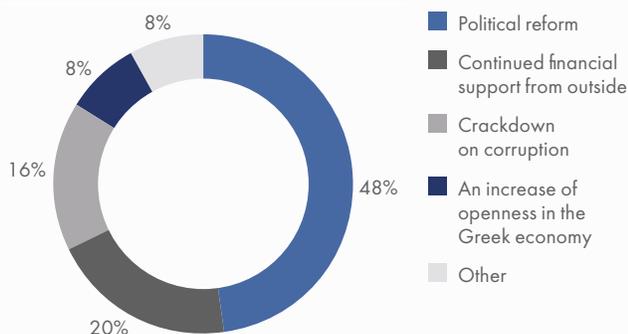
Looking at Greek M&A in particular, respondents were divided on whether deal-making would increase on the back of the agreement. Just over half (52%) believe the deal will mean M&A in Greece will decrease somewhat, while 40% think it will actually increase. Just 8% felt it would remain at a similar level.

Given Greece's systemic problems, and the recent political upheaval from the resignation of the prime minister, many believe that things will get worse for deal-making before they get better. "Even after the bailout agreement, Greece continues to raise questions regarding their growth and economic stability for the next few years," says one private equity partner based in the UK. "Due to this I think M&A will decrease slowly till the economy is back to normal."

By contrast, some respondents believe that the relative cheapness of Greek assets could entice investors back sooner rather than later. "Although the economic conditions don't look good, the deal made by the creditors looks promising and will bring growth in the near-future if the reforms are done effectively," says an M&A director in the US. "Now the value of assets is very cheap and if the economy gets back to growth then expectation of returns on investment will be met too."

# SURVEY (CONTINUED)

In the long-term, what is most needed for Greek deal-making to return?

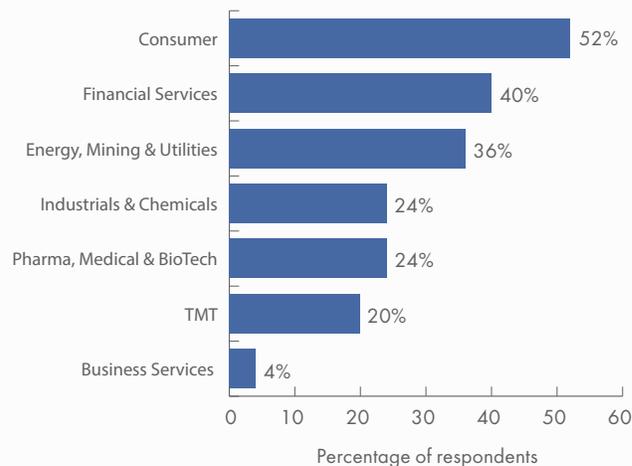


Looking closer at what Greece would need to improve deal-making, almost half of respondents (48%) said political reform was most needed. A fifth believed continued financial support from outside the country was the most-needed factor, while cracking down on corruption (16%) and increasing the openness of the economy were both chosen by fewer respondents (8%).

For one head of corporate development in South Korea, bringing about political stability is key. "A country can never sustain from external support and has to build its own internal system. Political reform is critically important for it," he said. "There have been many Government changes in the last few years in Greece, but none of them were able to resolve the crisis. Greece needs significant reform in its political system for its economy to revive and for the deal-making to return."

Others, however, believe giving Greece further outside help is necessary for both the economy and M&A. "The debt of the Greek government is much higher, and the bailout agreement may not fulfill the need completely," says one investment bank managing director. "After some time, a similar situation may arise when more financial support will be needed for Greece. Larger-scale financial support should be considered to end the crises situation at once and, if needed, support from outside the Eurozone should also be considered. This could allow the Greek economy to recover and deal-making to return."

Which sectors in Europe will benefit most from the stability the deal may provide? (select up to two)

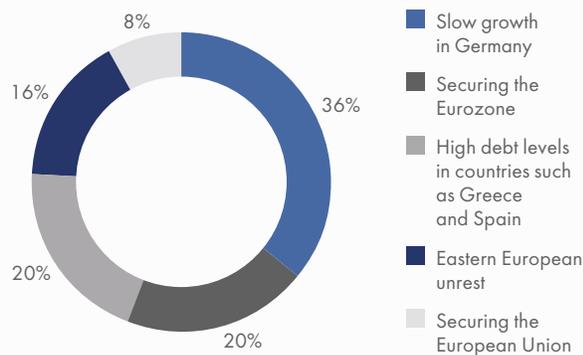


In Europe, the consumer sector is expected to be one of the most buoyed in M&A terms on the back of stability from the deal, selected by 52% of respondents. Financial services deal-making is expected to receive a boost according to 40% of respondents, while 36% said the same about energy, mining and utilities.

Respondents see any stability provided as something that will make a solid base for the consumer industry. "The Eurozone has enjoyed good growth in the consumer goods sector, so now stability with the deal will further strengthen it," says a US-based strategy director. "Consumer spending will resume and an increase in demands will be seen, increasing investments. Companies will look to enlarge the footprint in European countries."

Elsewhere, some respondents feel that the damage done to European banks in recent years will see them turn into targets for M&A in the aftermath of the deal. "Huge investments and reforms are required in the financial services sector to stabilize the economy and I think even the government and European regulators will first look to stabilize the financial services sector," says one private equity partner.

What is the most long-term economic issue facing Europe?

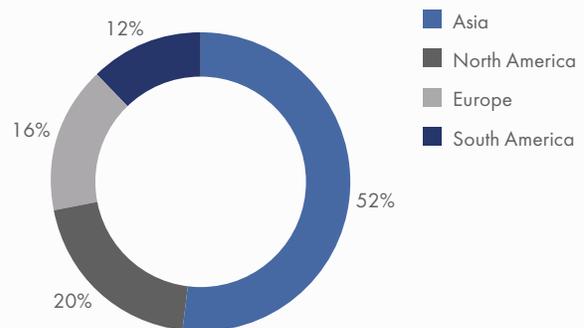


Over a third of respondents believe that slow growth in Europe’s largest economy, Germany, is the biggest long-term economic issue facing Europe. Twenty percent each felt that securing the Eurozone and high-debt levels in countries such as Greece and Spain were the biggest challenges, while 16% said the main problem was eastern European unrest. Just 8% said securing the European Union was the biggest issue facing Europe.

How important the German economy is to Europe is one of the key reasons its meagre growth is seen as a big worry by respondents. “Germany is a major economy in Europe and is a major contributor to European economy and liquidity,” says a senior M&A director at a Canadian firm. “Slow growth in Europe means a slowdown in the entire region and if Germany is not able to regain its growth soon then it will be the primary economic issue for Europe.”

Others feel that the economic volatility in the Eurozone means that securing it is the biggest priority. “Eurozone countries are prone to uncertainty because of the fluctuations in their economy and growth perspectives,” says one private equity partner. “Countries in the region are sometimes stable or unstable. This makes securing the Eurozone a big issue.” It also links to solidifying places such as Greece, the partner adds. “Greece crises have been going on for 8 years now and still there is no solution to it and because of Greece crises the Eurozone is always insecure.”

Which region will increase its buying activity in Europe the most in the coming 12 months?

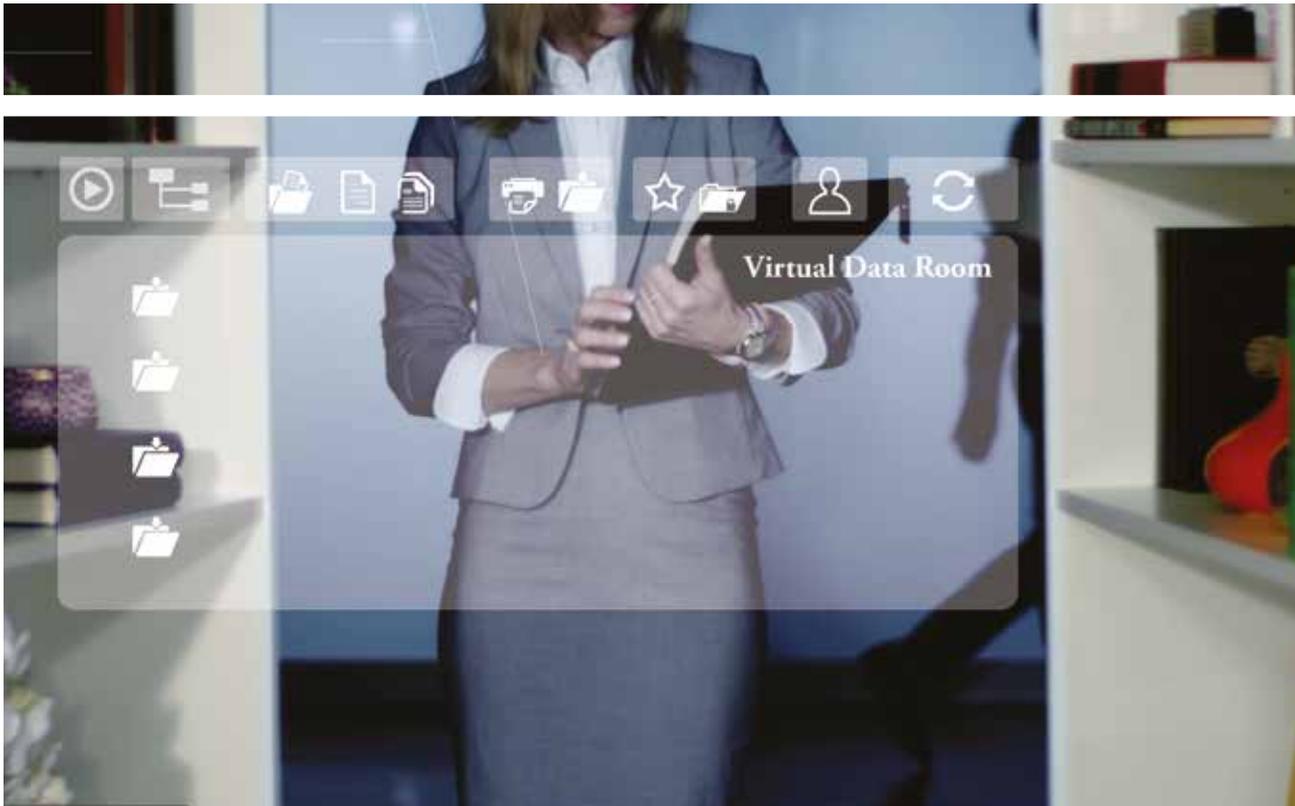


The majority of respondents (52%) expect Asian buyers to increase their buying activity in the coming year, followed by North America (20%).

Asian companies are looking to Europe due to their strong cash positions, as well as Europe’s depressed prices. “Asian corporate players want to increase their global footprint, and they are aiming for European investments much more than other countries because of the current value of assets and the chance to get access to technologies Europe has,” says a managing director at an investment bank. “Also Asian companies are cash-strong, which will make them aggressive deal-makers in Europe.”

It’s a similar story for North America – a strong recovery and companies with cash on their balance sheets are looking to spend. And in Europe, they can spend cheaply. “North American companies are full of confidence because of the strong recovery in USA over the last two years,” says an M&A director.

But why are Asian companies expected to be increasingly more active than North American firms? The key, for some, is branding. “Asian companies see Europe as a key market for gaining technology and to improve their brand by acquiring well recognized companies,” says a managing director at an investment bank.



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# Notable deals in the room

## Venue<sup>®</sup> data room: A special report

Berry Plastics Group, Inc. has agreed to acquire AVINTIV Inc. from Blackstone Group L.P.  
July 31, 2015

**Financial Advisor for Buyer:** Barclays; Credit Suisse

**Counsel for Buyer:** Bryan Cave LLP

**Financial Advisor for Seller:** Bank of America Merrill Lynch; Citi

**Counsel for Seller:** Simpson Thacher & Bartlett LLP

**Industry:** Automotive; Manufacturing (other); Medical; Services (other); Telecommunications; Hardware

Enterprise Products Partners, L.P. agrees to acquire EFS Midstream LLC, from Pioneer Natural Resources Company and Reliance Holding USA, Inc., a subsidiary of Reliance Industries Limited  
July 8, 2015

**Counsel for Buyer:** Locke Lord LLP

**Counsel for Seller:** Vinson & Elkins LLP

**Financial Advisor for Seller:** Bank of America Merrill Lynch; Citi

**Counsel for Seller:** Latham & Watkins LLP; White & Case LLP

**Industry:** Energy: Exploration and drilling services and equipment, Oil and gas exploration and production

H.J. Heinz Company merges with Kraft Foods Group, Inc.  
July 2, 2015

**Financial Advisor for Target:** Centerview Partners

**Counsel for Target:** Davis Polk & Wardwell LLP; Sullivan & Cromwell LLP

**Financial Advisor for Buyer:** Lazard

**Counsel for Buyer:** Cravath, Swaine & Moore LLP; Kirkland & Ellis LLP

**Industry:** Consumer: Foods

Verizon acquires AOL  
June 23, 2015

**Financial Advisor for Target:** Allen & Company LLC

**Counsel for Target:** Wachtell, Lipton, Rosen & Katz; White & Case LLP

**Financial Advisor for Buyer:** Guggenheim Partners, LLC; LionTree Advisors, LLC

**Counsel for Buyer:** Weil Gotshal & Manges LLP

**Industry:** Internet/e-commerce

CVS Pharmacy, Inc. acquires Target Corporation's pharmacy and clinic businesses  
June 15, 2015

**Target:** Target Corporation (pharmacy and clinic business)

**Financial Advisor for Buyer:** Barclays

**Counsel for Buyer:** Dechert LLP; Fried Frank Harris Shriver & Jacobson LLP; Simpson Thacher & Bartlett LLP

**Financial Advisor for Seller:** Goldman Sachs

**Counsel for Target:** Dorsey & Whitney LLP; Faegre Baker Daniels LLP; Wachtell, Lipton, Rosen & Katz

**Industry:** Consumer: Retail; Chemists/health

Avago Technologies Ltd to acquire Broadcom Corporation  
May 28, 2015

**Financial Advisor for Target:** Evercore Partners Inc; JP Morgan

**Counsel for Target:** Davis Polk & Wardwell LLP; Paul Weiss Rifkind Wharton & Garrison LLP; Skadden Arps Slate Meagher & Flom LLP; Sullivan & Cromwell LLP; WongPartnership LLP

**Financial Advisor for Buyer:** Bank of America Merrill Lynch; Barclays; Citi; Credit Suisse; Deutsche Bank AG

**Counsel for Buyer:** Latham & Watkins LLP; Simpson Thacher & Bartlett LLP

**Industry:** Computer: Semiconductors; Computer software; Telecommunications: Hardware

Twitter acquires TellApart  
April 28, 2015

**Target:** TellApart, Inc.

**Private Equity Firm for Seller:** Bain Capital LLC; Greyllock Partners

**Industry:** Internet / e-commerce; Media; Advertising; Search engines and other internet enabling technology

GoDaddy Inc. IPO  
April 1, 2015

**Issuer:** GoDaddy Inc.

**Counsel for Issuer:** Wilson Sonsini Goodrich & Rosati, P.C.

**Counsel for Underwriter:** Davis Polk & Wardwell LLP

**Underwriters:** Morgan Stanley; JP Morgan; Citigroup; Barclays; Deutsche Bank Securities; RBC Capital Markets; KKR; Stifel; Piper Jaffray; Oppenheimer & Co.; JMP Securities

**Industry:** Internet / e-commerce

Axis Capital and PartnerRe merge  
January 26, 2015

**Financial Advisor for Target:** Credit Suisse

**Counsel for Target:** Appleby; Davis Polk & Wardwell LLP; Skadden Arps Slate Meagher & Flom LLP

**Financial Advisor for Buyer:** Goldman Sachs

**Counsel for Buyer:** Conyers Dill & Pearman; Simpson Thacher & Bartlett LLP

**Industry:** Financial Services; Insurance related

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Corporate Headquarters  
35 West Wacker Drive  
Chicago, IL 60601  
U.S.A.

888.773.8379

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Venue data rooms are backed by RR Donnelley, a \$11.6 billion corporation with more than 500 locations and over 65,000 employees worldwide. RR Donnelley's total revenues are larger than all other virtual data room providers combined. We bring extensive experience to providing integrated communications services.

For more information regarding Venue, RR Donnelley, or this report, please contact us directly.

## RR DONNELLEY AT A GLANCE

\$11.6 billion	2014 net sales
65,000+	Employees
500+	Global locations
Nearly 125	Manufacturing locations
750+	Issued and pending patents
Nearly \$2 billion	Capital investments over the past six years

Daniel Perez | Sr. Marketing Manager, Venue Data Room  
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# VENUE® DATA ROOM

## The World's Workspace

Venue is the fast-growing virtual data room solution of RR Donnelley, the leader in integrated communications services. Our Venue virtual data room provides a secure online workspace with a powerful feature-set and an intuitive design that allow you to easily organize, manage, share and track all of your sensitive information. A Venue workspace provides complete control, ensuring that you can manage who has access to your data room, which documents they see, and how they can interact with those documents.

We serve hundreds of thousands of Venue users, who are accessing content related to the highest profile deals in the market. With a Venue data room you have access to the RR Donnelley global footprint, where you can leverage our suite of financial services—everything you need from pre-negotiation to post-transaction filing and archiving—anytime, anywhere.



Work faster and more efficiently with Venue's powerful, intuitive features that deliver what you need right now.

**Best-in-class security:** Trust your information to our industry-leading security: AT 101 compliant, redundant, third-party-tested platform, exclusive protection features and maximum precautions for all interactions.

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