Intralinks®

Deal Flow Predictor

Our quarterly prediction of future trends in the global M&A market

Forecast of global M&A activity through Q2 2019

THE BREXIT ISSUE

Welcome

Intralinks is the leading financial technology provider of software and services, including virtual data rooms (VDRs), for the global banking, dealmaking, private equity and capital markets communities and has been in business for over 22 years. Our solutions support buy-side and sell-side mergers and acquisitions (M&A) deal management, alternative investments fundraising and investor reporting, debt and equity capital raising, syndicated loan management, as well as banking, securities and legal collaboration. Our involvement in the early stages of a significant percentage of the world's M&A transactions gives us unique insight into the expected volume of future announced M&A deals.

The *Intralinks Deal Flow Predictor* forecasts the volume of future M&A announcements by tracking *early-stage* M&A activity – sell-side M&A transactions across the world that are in preparation or have begun their due diligence stage. These early-stage deals are, on average, six months away from their public announcement.

Along with our forecasts of announced M&A activity for the next six months, this issue of the *Intralinks Deal Flow Predictor* includes a spotlight feature on Britain's departure from the E.U. and its potential impact on M&A activity, including the results of our recent Brexit poll of M&A dealmakers.

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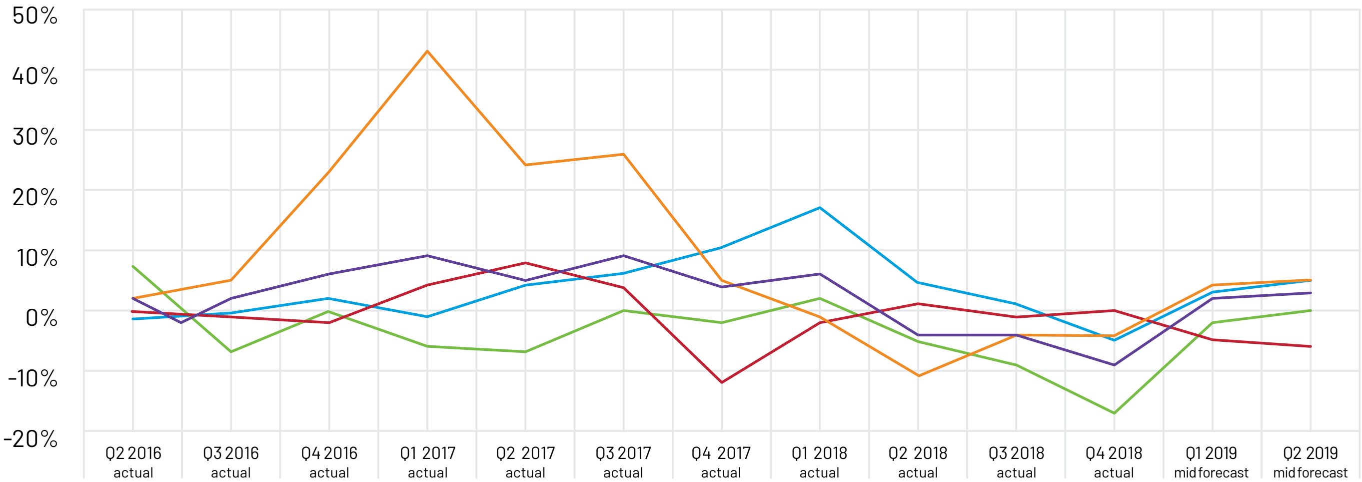
Intralinks' mid-point forecast of the year-over-year % growth in the number of announced M&A deals, as reported by Thomson Reuters, for the next two quarters



	Q2 2016 actual	Q3 2016 actual	Q4 2016 actual	Q1 2017 actual	Q2 2017 actual	Q3 2017 actual	Q4 2017 actual	Q1 2018 actual	Q2 2018 actual	Q3 2018 actual	Q4 2018 actual	Q1 2019 mid forecast	Q2 2019 mid forecast
APAC	-2%	-1%	2%	-1%	3%	6%	10%	17%	4%	1%	-5%	3%	5%
EMEA	7%	-7%	0%	-6%	-7%	0%	-2%	2%	-5%	-9%	-17%	-2%	0%
LATAM	0%	-1%	-2%	4%	8%	4%	-12%	-2%	1%	-1%	0%	-5%	-6%
NA	2%	5%	23%	43%	24%	26%	5%	-1%	-11%	-4%	-4%	4%	5%
World	2%	-2%	6%	9%	5%	9%	4%	6%	-4%	-4%	-9%	2%	3%

The *Intralinks Deal Flow Predictor* has been has been independently verified[1] as an accurate six-month forecast of future changes in the worldwide volume (number) of announced M&A transactions, as reported by Thomson Reuters. Thomson Reuters' data on announced deal volumes for the past four quarters has been adjusted by Intralinks for expected subsequent changes in reported announced deal volumes in Thomson Reuters' database.

Worldwide M&A forecast

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Overview

Worldwide M&A activity stutters in 2018 and faces growing headwinds in 2019

Early-stage M&A activity in worldwide VDRs in Q4 2018 (a reliable predictor of to-be-announced deals in Q2 2019) rose by 10 percent year-over-year (YOY), the slowest rate of growth for five quarters. Our predictive model forecasts that this is expected to translate into a 2 percent YOY increase in the worldwide number of M&A deals to be announced in H1 2019, with the strongest growth in deal announcements expected to come from the Real Estate, Energy & Power and Materials sectors. Despite the increase in early-stage M&A activity in the last quarter of 2018, worldwide M&A announcements faltered in 2018: according to data from Refinitiv[2] and Intralinks' own analysis, the worldwide number of M&A deals announced in Q4 2018 fell by 9 percent YOY, the largest decline since Q2 2012, and worldwide M&A deal announcements in the full year 2018 fell by 3 percent YOY, the first annual decline since 2013.

While there are still reasons for the M&A market to push somewhat higher in the short term (including a tsunami of private equity dry powder from recent record fundraisings), we believe that the pace of the current M&A up-cycle, which began in 2014, may have peaked and that dealmakers face considerable headwinds in 2019. These include: a slowing global economy, partly driven by the trade war between the U.S. and China; rising interest rates; depressed global equity markets (which fell 10 percent in 2018); M&A valuation levels at 30-year highs; increasing nationalism and protectionism against cross-border M&A; and the uncertainty and potential damage to European economic growth caused by the political chaos of the current Brexit process, with an increasing likelihood of a "hard Brexit" as Britain lurches closer to leaving the E.U. on March 29 without a negotiated exit or future trade agreement.

Asia-Pacific

In APAC, our predictive model is forecasting that the number of announced M&A deals is expected to increase by around 4 percent YOY in H1 2019, within a range of -2 percent to 11 percent. The Real Estate, Energy & Power and Financials sectors are predicted to lead the growth in APAC M&A announcements during the first six months of 2019.

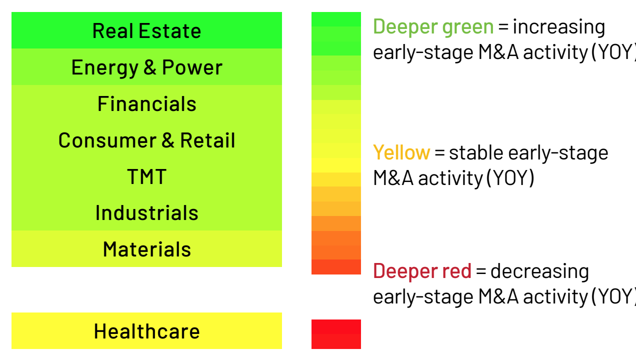
Within APAC, all regions are showing double-digit increases in their volumes of early-stage M&A activity, with North Asia (China, Hong Kong, South Korea, Taiwan), Australasia, Japan and India expected to make the strongest contributions to APAC's growth in H1 2019.

APAC

H1 2019 mid-point forecast: +4%

H1 2019 high forecast: +11%

H1 2019 low forecast: -2%



Europe, the Middle East & Africa

In EMEA, our predictive model is forecasting that the number of announced M&A deals is expected to fall by around 1 percent YOY in H1 2019, within a range of -8 percent to 8 percent, with the strongest contributions to EMEA's growth expected to come from Southern Europe and the Middle East. The Real Estate, Energy & Power and Materials sectors are predicted to lead the growth in EMEA M&A announcements during the first six months of 2019.

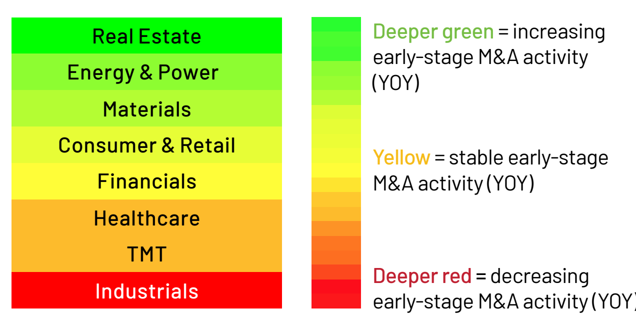
Among the five largest European economies, France, Italy, Germany and the U.K. are expected to show higher levels of M&A announcements in H1 2019 compared with H1 2018, whereas levels of M&A announcements are expected to be flat in Spain.

EMEA

H1 2019 mid-point forecast: -1%

H1 2019 high forecast: +8%

H1 2019 low forecast: -8%



Latin America

In LATAM, our predictive model is forecasting that the number of announced M&A deals is expected to fall by around 6 percent YOY in H1 2019, within a range of 12 percent to 2 percent. The Materials sector is predicted to be the only one to see growth in LATAM M&A announcements during the first six months of 2019.

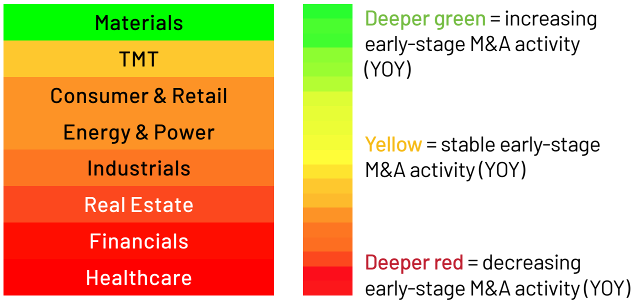
Among the largest LATAM economies, Mexico is the only one expected to show any increase in M&A announcements in H1 2019 compared with H1 2018, whereas levels of M&A announcements are expected to be flat to declining in Argentina, Brazil, Chile, Colombia and Peru.

LATAM

H1 2019 mid-point forecast: -6%

H1 2019 high forecast: +2%

H1 2019 low forecast: -12%



North America

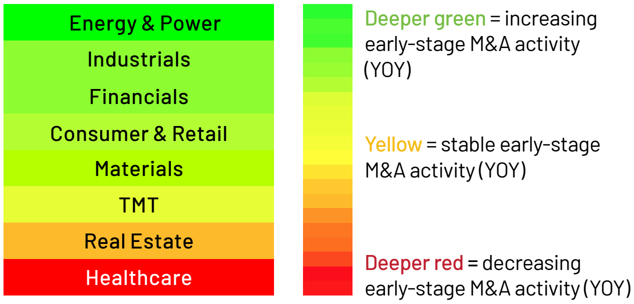
In NA, our predictive model is forecasting that the number of announced M&A deals is expected to increase by around 5 percent YOY in H1 2019, within a range of -4 percent to 15 percent. The Energy & Power, Industrials and Financials sectors are predicted to lead the growth in NA M&A announcements during the first six months of 2019.

NA

H1 2019 mid-point forecast: +5%

H1 2019 high forecast: -4%

H1 2019 low forecast: +15%



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Spotlight

Brexit and M&A: opportunity or threat?

On March 29, 2019 at 11 p.m. GMT, Britain will leave the European Union. Surprisingly, two and half years after the referendum that gave rise to that decision, little else is known about the impact of Britain's departure and its subsequent economic and political relationship with its largest trading partner. To say that there is a huge level of uncertainty is an almost comical understatement.

Torturous negotiations between the U.K. government and the E.U. over that two-and-a-half year period have produced a draft withdrawal agreement which runs to almost 600 pages, but says little about any future trading arrangements — these are to be the subject of further negotiations during an 18-month to two-year transition period during which Britain will need to abide by all E.U. rules, but will lose membership of its institutions.

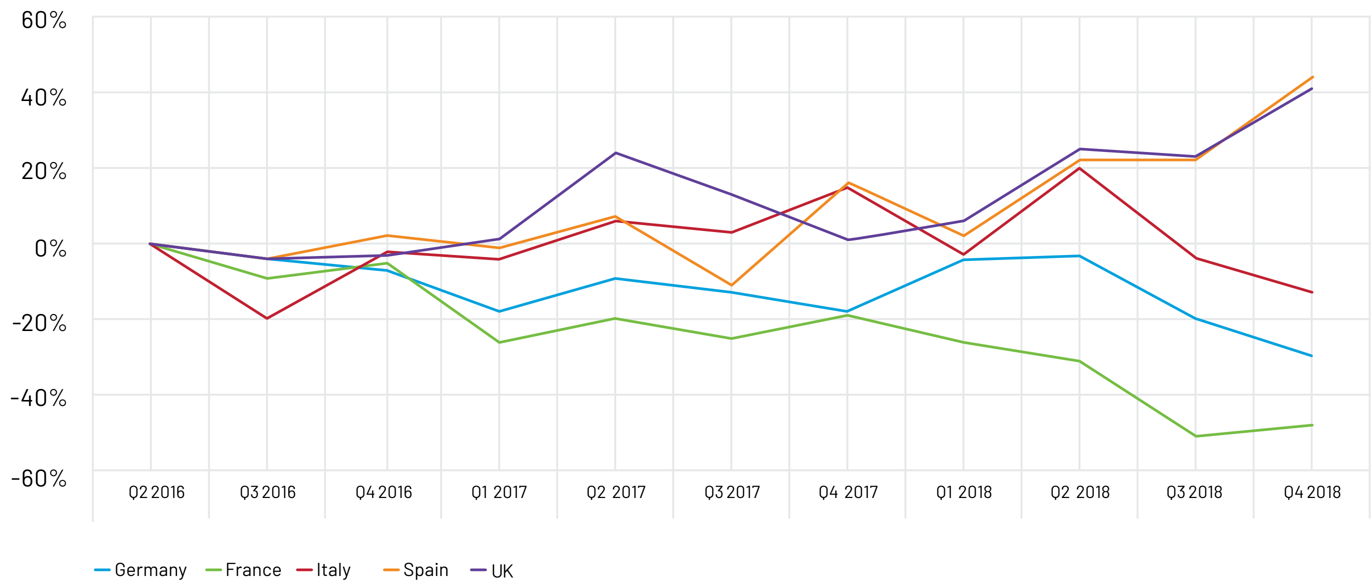
Unsurprisingly, the withdrawal agreement has produced political chaos in Britain with the government of U.K. Prime Minister Theresa May suffering multiple resignations of some of its senior members who are aghast at its terms. Even worse, the agreement was overwhelmingly rejected by the British parliament in a vote on January 15, with 432 MPs voting against and only 202 in favor, the largest defeat for a sitting British government in history.

After the defeat and only narrowly surviving an opposition-sponsored vote of no-confidence in her government the following day, Mrs. May is having to come up with a "Plan B" that may involve delaying the March 29 exit date, reopening negotiations with the E.U. or even holding a second referendum.

What does this all mean for M&A dealmaking? Is Brexit a potential opportunity for dealmakers or will U.K. and European M&A activity succumb to the current uncertainty and negative sentiment?

Let's begin by looking at data on M&A activity in Europe since the referendum vote. The chart below shows the percentage change in the number of announced M&A deals in the five largest European economies since Q2 2016. Somewhat surprisingly, the data shows that Britain has been one of the best-performing M&A markets in Europe: the number of announced deals for U.K. targets in Q4 2018 was 41 percent higher than in Q2 2016, surpassed only by Spain. M&A activity for targets in France and Germany, the two countries which supposedly have the most to gain from investors turning away from the U.K. because of Brexit, is down 48 percent and 30 percent, respectively, over the same period. Acquirors, despite the impending Brexit, appear to have been voting strongly for the U.K.

Percentage change in number of announced M&A deals by target country since Q2 2016



Source: Refinitiv and Intralinks analysis

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Of course, one can argue that this backward-looking view does not necessarily predict what will happen once Britain actually leaves the E.U.; but it is nevertheless an interesting and counterintuitive example of how investors may be assessing Britain's prospects as being brighter than they currently appear in a post-Brexit world. If one of the consequences of Brexit is that British companies make themselves more efficient to compete in global markets and the British government makes good on its promises to continue to make the U.K. an attractive destination for investment, perhaps by lowering taxes and streamlining regulation, then Europe's largest M&A market may continue to thrive.

During December 2018, Intralinks polled a worldwide sample of M&A dealmakers to gauge their attitudes to Brexit and M&A. A total of 223 responses were received. Here are the key findings from the poll.

Intralinks Brexit M&A Poll Results

Majority not in favor of current draft Brexit treaty between U.K. and E.U.

61 percent of respondents were not in favor of the U.K. leaving the E.U. on March 29, 2019 under the terms of the current draft treaty negotiated by the U.K. government and the E.U., while **23 percent** were in favor and **16 percent** were not sure.

Almost no support for a "no deal" Brexit

80 percent of respondents were not in favor of the U.K. leaving the EU on March 29, 2019 under a "no deal" scenario, while **13 percent** were in favor and **7 percent** were not sure.

More than three quarters still hoping for the U.K. to remain in the E.U.

77 percent of respondents were in favor of the U.K. remaining in the E.U., while **18 percent** were not in favor and **5 percent** were not sure.

Fears over business disruption in the event of a "no deal" Brexit

Only **24 percent** of respondents were confident of "business as usual" in the event of a "no deal" Brexit, while **69 percent** feared either some disruption or significant disruption to their firm's business with the U.K./E.U. and **7 percent** were not sure.

Dealmakers pessimistic over U.K. M&A activity after Brexit

58 percent of respondents thought U.K. M&A activity after Brexit will decrease as U.K. assets will become less attractive, while **16 percent** thought U.K. M&A activity will remain the same, **14 percent** thought U.K. M&A activity after Brexit will increase as U.K. assets will become more attractive and **11 percent** were not sure.

About the Intralinks Deal Flow Predictor

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The *Intralinks Deal Flow Predictor* provides Intralinks' perspective on the level of early-stage M&A activity taking place worldwide during any given period. The statistics contained in this report reflect the volume of VDRs opened, or proposed to be opened, through Intralinks and other providers for conducting due diligence on proposed transactions, including asset sales, divestitures, equity private placements, financings, capital raises, joint ventures, alliances and partnerships. These statistics are not adjusted for changes in Intralinks' share of the VDR market or changes in market demand for VDR services. These statistics may not correlate to the volume of completed transactions reported by market data providers and should not be construed to represent the volume of transactions that will ultimately be consummated during any period nor of the revenue or M&A deal volume that Intralinks may generate for any financial period. Indications of future completed deal activity derived from the *Intralinks Deal Flow Predictor* are based on assumed rates of deals going from due diligence stage to completion. In addition, the statistics provided by market data providers regarding announced M&A transactions may be compiled with a different set of transaction types than those set forth above.

To verify the predictive nature of the *Intralinks Deal Flow Predictor*, we compared the data underlying the *Intralinks Deal Flow Predictor* with subsequent announced deal volume data reported by Thomson Reuters to build an econometric model (using standard statistical techniques appropriate for estimating a linear regression model) to predict the future reported volume of announced M&A transactions two quarters ahead, as recorded by Thomson Reuters. We engaged Analysis & Inference ("A&I"), an independent statistical consulting and data science research firm, to assess, replicate and evaluate this model. A&I's analysis showed that our prediction model has a very high level of statistical significance, with a more than 99.9 percent probability that the *Intralinks Deal Flow Predictor* is a statistically significant six-month predictive indicator of announced deal data, as subsequently reported by Thomson Reuters. We plan to periodically update the independent statistical analysis to confirm the *Intralinks Deal Flow Predictor*'s continuing validity as a predictor of future M&A activity.

Intralinks Deal Flow Predictor report is provided "as is" for informational purposes only. Intralinks makes no guarantee regarding the timeliness, accuracy or completeness of the content of this report. This report is based on Intralinks' observations and subjective interpretations of due diligence activity taking place, or proposed to take place, on Intralinks' and other providers' VDR platforms for a limited set of transaction types. This report is not intended to be an indicator of Intralinks' business performance or operating results for any prior or future period. This report is not intended to convey investment advice or solicit investments of any kind whatsoever.

About Intralinks

Intralinks is a leading financial technology provider for the global banking, dealmaking and capital markets communities. As pioneers of the virtual data room (VDR), our technology enables and secures the flow of information, empowering our customers to work more productively and with complete confidence. Intralinks facilitates strategic initiatives such as mergers and acquisitions, capital raising and investor reporting. Our solutions enhance these activities by streamlining operations, reducing risk, improving client experiences and increasing visibility. We've earned the trust and business of more than 99 percent of the Fortune 1000 and have executed over $34.7 trillion worth of financial transactions on our platform.

For more information, visit intralinks.com

References

[1] https://www.intralinks.com/resources/publications/intralinks-dfp-explained

[2] http://dmi.thomsonreuters.com/Content/Files/4Q2018_MNA_Financial_Advisory_Review.pdf. Thomson Reuters' data on the number of announced deals for the past four quarters has been adjusted by Intralinks for expected subsequent changes in reported announced deal volumes in Thomson Reuters' database

Thanks to Refinitiv for permission to use their M&A deal reports and data on announced deals in the *Intralinks Deal Flow Predictor* report.