

# THE MAY 2017 RUNDOWN

**OBERON  
SECURITIES**

Issue No.2

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Events and statistics in the M&A market for Q1 2017

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"Getting the Most From Investor Calls" by Phillip Toth

### **UPCOMING EVENTS**

*Q2 Consumer Lunch*

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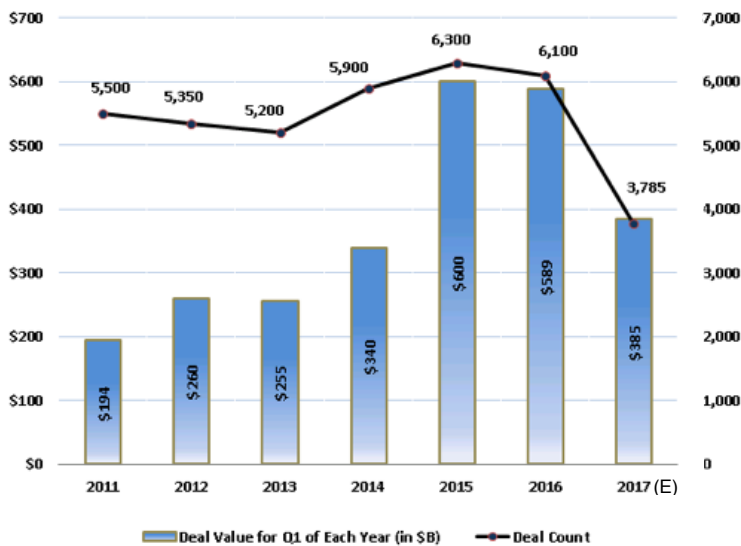
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# M&A MARKET HIGHLIGHTS

General overview and analysis by sector

M&A Deal Value for Q1 of Each Year  
(in \$ billions)



## Most Attractive

Tech companies accounted for nearly 20 percent of M&A transactions in the U.S. and Europe in Q1, up from 18 percent in Q4 2016 and the highest proportion of any quarter since at least 2010.

## Least Attractive

Energy sector continues to decline. Energy M&A totaled \$72.2 billion across 106 transactions or 3 percent of total transaction volume in the first quarter, representing a sizable decrease in the number of deals, but at the same time a simultaneous increase in dollar volume.

## Why is M&A activity down when public market valuations are up?

PitchBook Data reports that M&A activity is slowed in the first quarter of the year while strong stock market performance and perceived stability pushed US M&A multiples even higher to 10.8x in Q1 2017. Just 3,785 deals were completed, totaling \$385 billion in value which represent 37.8% and 34.6%

year-over-year decreases respectively.

Too much capital and not enough investment opportunities have kept prices high, particularly in the US, where rising public company valuations will put pressure on private markets. The economy continued to do well in Q1 as strong corporate earnings growth and the prospect of tax and regulation reform fueled investors' optimism. Consumer

confidence reached its highest levels in 15 years. Unemployment rates were still hovering just below 5% while the core inflation rate has remained steady at around 2.2%. However, things on the political front look increasingly uncertain as the recent healthcare reform failure appears to have weakened the president's ability to enact through tax reform.

# HIGHLIGHTS BY SECTOR

**CONSUMER & RETAIL.** M&A activity in the Consumer & Retail sector experienced its strongest performing quarter in the past 10 years in terms of both deal value and volume. Megadeals drove deal value during the quarter with seven megadeals totaling \$85.0 billion compared to the six megadeals in Q4 2016 totaling \$14.8 billion and the eight megadeals in 2016 totaling \$20.3 billion. This was due to the fewer barriers of entry and slowing in emerging markets. Multinationals were in search for new ways to grow and expand revenue, therefore using M&A.

**TECHNOLOGY.** Q1 2017 activity started off strong with both deal and dollar volume that have surpassed levels not seen since 2014. 486 technology deals were announced which equaled \$42.8 billion. Dealmakers continued to focus on Software acquisitions where traditional technology players strive to maintain relevance through acquisition of emerging technologies. Deal activity is expected to increase throughout the year with continued investment from non-digital buyers, renewed interest from foreign investors and a potential M&A spree from technology giants especially if cash repatriation via tax reform, comes to fruition. Further, disruptive industries such as artificial intelligence and fintech are expected to cause technology to drive M&A activity.

**HEALTHCARE.** Despite increased uncertainty on the healthcare reform front, 235 deals were announced in Q1 2017. Growth was modest, increasing only 0.9% and 2.6% over prior year and quarter, respectively. The most significant trend was a sharp decline in disclosed deal value. Only \$7.9 billion worth of deals were disclosed, representing a

decline of 49.3% over the prior year and 58.2% over the prior quarter.

**ENERGY.** Oil and gas deal-making started on a high note in terms of value. Fifty-three deals worth \$72 billion were announced in Q1 2017, a 160% increase over last year. Investors entered 2017 with renewed optimism pleased by a pro-energy policy agenda taking shape, reassured by the relative steadiness of the price of oil, and encouraged by advances in shale technology. Asset deals dominated this quarter. The question now is whether this momentum will continue. There are a few signs the tide may be starting to ebb. Commodity price erosion occurred midway through the first quarter and oil and gas equity indices are declining. This could have happened due to seller optimism getting ahead of the market.

**INDUSTRIALS.** After three consecutive quarters of growth, M&A activity in the sector took a step back in Q1 2017. Deal value dropped by 13% compared to Q4 2016; however, this was significantly lower than the 35% decline in value seen on a global cross-sector basis over the same period. Industrial Manufacturing showed tempered decline in the sector due to its significantly lower growth in deal value in Q4 2016 when compared to global cross-sector M&A. Industrial machinery leads the M&A activity with a total deal value of \$11.1 billion, representing 49% and 35% of deal value and volume for Q1 2017, respectively.

*PWC Markets Deals insights Q1 2017 report  
highlights M&A performance by sectors*

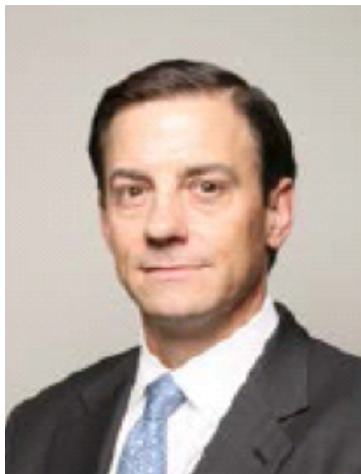
# COMPANY NEWS

## Recent Hires



### **DANIEL P. CANNON**

*Daniel recently joined the Oberon team as Managing Director of business development and he brings unique experience in a number of different industries which include governmental relations. Daniel's unique knowledge and experience in Washington D.C. with the Federal government bring Oberon ties to Members of United States House of Representatives. At Oberon he will focus on deal execution and business development.*



### **WALTER BAILEY**





*Walter possesses over 25 years of transaction advisory and capital raising experience. He's been directly involved with an excess of \$150 billion of advisory assignments and has executed over \$80 billion of financings for numerous growth, middle market and large cap clients across a broad array of sectors and geographies. Walter joined Oberon securities as a Managing Director, having recently been a registered principal and Managing Director of Pickwick Capital.*



### **LARRY "SONNY" CLAYTON**

*Sonny joins as Vice President of Business Development where, in addition to leading direct origination activities for Oberon, he supports the firm's research, campaign management and marketing initiatives. Prior to Oberon Sonny served as a Senior Associate at Allegiance Capital Corporation where he focused on mergers and acquisitions for privately held companies in the lower middle-market.*

## Oberon Securities Representative Transactions

<b>REAL ESTATE</b>		<b>TMT</b>	
	<b>INDUSTRIALS</b>		<b>FINANCIAL SERVICES</b>



### **“GETTING THE MOST FROM INVESTOR CALLS” BY PHILLIP TOTH, MANAGING DIRECTOR**

Your firm is in the market to raise capital. You selected an investment banker to represent you in the process. The firm’s vision, financial goals, strategy and performance have been documented for the investors to review. An information library, stocked with materials such as a flip book, financial statements, standard forms and contracts, company policies and procedures, and a financial model is available to potential capital providers upon signing an NDA. The preparation of these materials took weeks or perhaps months. Your banker sorted through his/her contact list of investors making dozens even hundreds of [\(READ MORE\)](#)

Phil Toth joined Oberon in 2015 focusing on asset-based lending and specialty finance. Phil has over 20 years of experience in investment banking and institutional sales. Combined this experience includes several billion dollars transaction experience in the United States, Europe and Asia. Prior to joining Oberon, Phil was a partner in two investment banking boutiques where he helped originate, structure and close equity and debt private placements, commercial real estate transactions and asset-backed financing. [\(READ MORE\)](#)

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