Baker McKenzie.

OXFORD ECONOMICS

2018

GLOBAL TRANSACTIONS FORECAST

Deal appetite rising

A BAKER MCKENZIE REPORT

Foreword

After a few soft patches in 2017 we have a more optimistic outlook for the global economy and dealmaking in 2018, as long as the brakes are not put any further on global free trade. We forecast an uplift in M&A and IPO activity as dealmakers and investors gain greater confidence in the business prospects of acquisition targets and newly listed businesses.

However it's not a done deal, with the threat of a Hard Brexit and a NAFTA collapse both still very real risks. Businesses and their advisers will need to continue to make the case for liberal trade and investment frameworks.

But with many of the major European and Asian economies demonstrating good potential for growth next year, we remain confident that 2018 will be a near record year for transactions. I hope that our 2018 Global Transactions Forecast developed in conjunction with our friends at Oxford Economics gives you clear insight into why we believe that to be the case. Its unique combination of economic modeling coupled with the insights and market knowledge of our transactional partners in 40 major markets make it an informative read.

I recommend it to you.

PAUL RAWLINSON
Global Chair, Baker McKenzie

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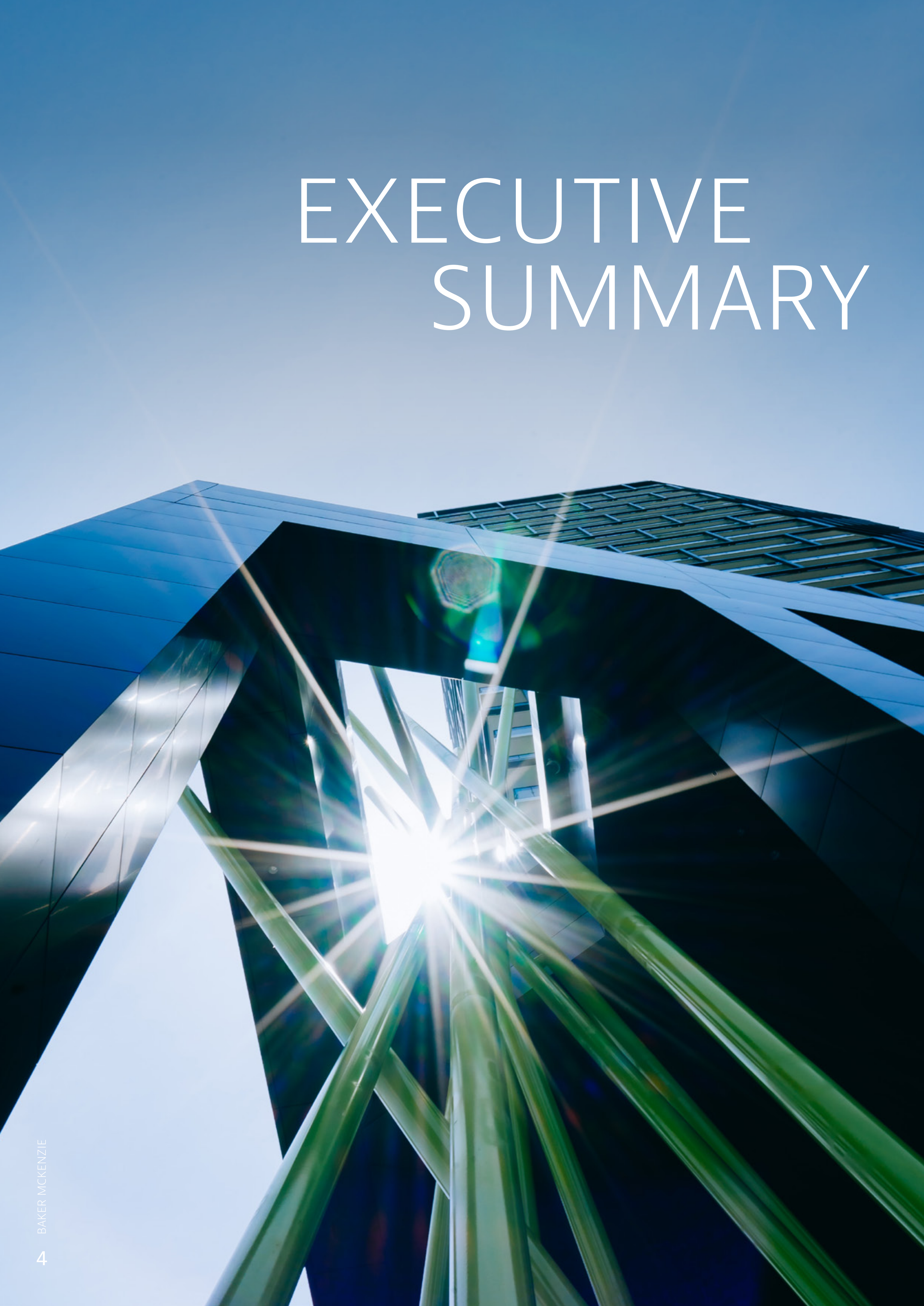
EXECUTIVE SUMMARY



Global dealmakers are regaining their appetite for investment amid the easing of key economic and political risks and the emergence of positive macroeconomic deal drivers. As a result, we expect global deal activity to accelerate into 2018. Here are the highlights:

- **Global:** Total global M&A will rise to a peak of US$3.2 trillion in 2018, up from US$2.6 trillion in 2017 but far short of the US$4 trillion peak before the global economic crisis. IPOs will rise from US$187 billion in 2017 to US$290 billion in 2018. This is well above the previous cyclical peak of US$276 billion in 2014, but below the US$300 billion mark broken in both 2006 and 2010. Following this upswing, both M&A and IPO values will drop in 2019 and 2020 as global GDP, trade and investment growth slows, borrowing costs rise in key economies, and stock market valuations start to look stretched. In emerging economies, we forecast activity to peak a year later in 2019, followed by a cyclical downswing.

- **North America:** Dealmaking in the US is set to rebound in 2018 after a year of "wait and see" following the election of President Trump in November 2016. Because his trade policies have proven less radical than his campaign pledges and US economic fundamentals have remained strong, we forecast M&A activity to pick up to US$1.5 trillion in 2018 – US$200 billion higher than 2017 – before dropping in 2019 and 2020. With elevated stock market valuations and a buoyant economy, we expect domestic IPOs to reach an all-time high of US$78 billion in 2018, easing in subsequent years.

- **Europe:** Repeated defeats for populist politicians have boosted business and investor confidence as the Eurozone recovery has quickened and become more self-sustaining. Based on these strengths, and with Brexit not yet denting dealmaking confidence, we forecast total M&A to reach US$856 billion in 2018, then drop in line with an economic slowdown in the following years. Domestic IPO markets have been resilient amid recent political uncertainty and we expect proceeds to continue rising in 2018, to a cyclical peak of US$60 billion.

- **Asia Pacific:** The Chinese government's restrictions on outbound investment slowed regional M&A activity in 2017. But with the macroeconomic policy case for such measures easing and China's more outward-looking policy agenda requiring greater outbound investment, we forecast the region's M&A activity to peak at US$754 billion in 2019. Total IPO activity is also forecast to pick up, rising to a peak of US$120 billion in 2019, with Hong Kong remaining the global leader in cross-border listings.

- **Latin America, Africa and the Middle East:** More stable commodity prices and financial conditions are creating steadier transaction environments in both regions. In 2019 we forecast M&A activity to reach a peak of US$134 billion in Latin America and US$41 billion in Africa and the Middle East. In both regions, we forecast IPO issuance to continue rebounding, rising to a cyclical peak in 2019 of US$7 billion in Africa and the Middle East, and US$7.5 billion in Latin America.

■ **Sectors:** Building on a series of megadeals in 2017, M&A activity in the consumer goods and finance industries will continue to generate the highest total deal values in 2018. We forecast a gradual slowdown in the energy sector, as well as a rebound in the pharmaceuticals and healthcare and technology and telecom sectors following disappointing levels of activity in 2017. In the IPO market, we expect the technology and telecom, consumer and finance sectors to drive stronger activity in 2018.

GLOBAL TRANSACTIONS FORECAST 2018 DEAL DASHBOARD

Geography	Transaction Type	Direction of Change from Previous Year		Forecast Cycle Peak Year
		2017	2018	
World	**M&A: Total**	↓	↑	2018
World	**M&A: Domestic**	↓	↑	2018
World	**M&A: Cross-Border**	↓	↑	2018
World	**IPO: Total**	↑	↑	2018
World	**IPO: Domestic**	↑	↑	2018
World	**IPO: Cross-Border**	↓	↑	2019
North America	**M&A: Total**	↓	↑	2018
Europe	**M&A: Total**	↓	↑	2018
Asia Pacific	**M&A: Total**	↓	↑	2019
Latin America	**M&A: Total**	↑	↑	2019
Africa & Middle East	**M&A: Total**	↑	↓	2019
World	**M&A: Pharma & health**	↓	↑	2018
World	**M&A: Finance**	↓	↑	2018
World	**M&A: Tech & telecom**	↓	↑	2018
World	**M&A: Consumer**	↑	↑	2018
World	**M&A: Energy**	↑	↑	2018
World	**M&A: Basic materials**	↑	↓	2017
World	**M&A: Industry & utility**	↓	↑	2018
World	**IPO: Pharma & health**	↑	↑	2018
World	**IPO: Finance**	↑	↑	2018
World	**IPO: Tech & telecom**	↑	↑	2018
World	**IPO: Consumer**	↑	↑	2018
World	**IPO: Energy**	↓	↑	2018
World	**IPO: Basic materials**	↑	↑	2018
World	**IPO: Industry & utility**	↑	↑	2018

Global dealmakers are regaining their appetite for investment amid the easing of key economic and political risks and the emergence of positive macroeconomic deal drivers.

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INTRODUCTION

Following the election of President Trump and the UK's decision to leave the European Union, 2017 has been a period of apprehension for global dealmakers. These events caused great uncertainty about the global economic outlook and left businesses worried about the implications of other key elections in 2017, particularly in France and Germany.

Dealmakers in China and Mexico were also preoccupied by what Trump's presidency might mean for global trade and investment, while major commodity-exporting countries like Brazil and Russia were emerging from recessions induced by the huge decline in commodity prices.

Against this backdrop of uncertainty, our previous transactions forecast in January 2017 predicted a reduction in global M&A values, from US$2.8 trillion in 2016 to US$2.5 trillion in 2017. Now that 2017 is nearly over, it looks like total M&A value will turn out to be slightly higher, totaling US$2.6 trillion, but still lower than last year.

So far, the Trump administration has targeted specific sectors and firms for protectionist measures rather than entire economies, which has helped ease fears in emerging markets like China and Mexico. In the UK, uncertainty about the Brexit settlement persists, especially following an inconclusive General Election in June. But while economic growth has certainly slowed, the cliff-edge some economists were predicting has failed to materialize. The French and German elections delivered pro-market, pro-European governments, even if the voices of those opposed to globalization have grown louder.

As such, investors around the world share greater optimism as we move into 2018, with appetites strengthened by positive trends such as more buoyant world trade and economic growth, elevated equity valuations, and the prospect of cheaper financing in emerging markets. This is likely to benefit M&A and IPO activity by giving dealmakers and investors greater confidence in the business prospects of acquisition targets and newly listed businesses.

In this report, the third edition of our Global Transactions Forecast, we set out our latest predictions for M&A and IPO activity from 2018 through 2020, the macroeconomic and financial drivers impacting investment, and the role of private equity in financing and driving deals. By providing this outlook, we aim to provide corporate leaders and investors with a greater understanding of global and regional economic trends affecting dealmaking so they can anticipate and better prepare for what lies ahead.

GLOBAL ECONOMY DEAL DRIVERS

Despite the multiple risks to business and household confidence in 2017, the world economy has held up rather well. Several key trends should support growth into 2018 and 2019 and have a positive impact on global deal values.

1 Stronger global demand

As we head into 2018, two key regions of the world economy are growing faster than we anticipated in our last edition, improving the outlook for world growth.

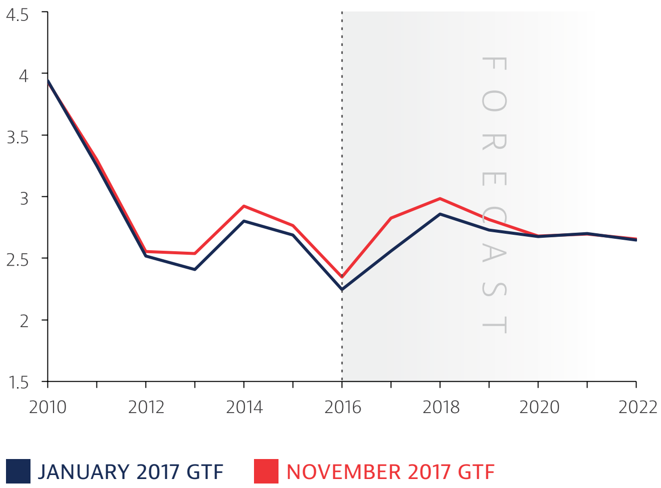
In China, fiscal stimulus is boosting infrastructure spending and supporting household incomes. At the same time, the new US administration's failure to enact protectionist measures thus far is enabling manufacturing firms to regain confidence and resume investment. As such, Oxford Economics revised its forecast for Chinese GDP growth in 2018 from 5.9% earlier this year to 6.2%.

In the Eurozone, easing fears over Brexit and populism have buoyed business and household confidence, which has supported positive economic fundamentals. Oxford Economics raised its forecast for GDP growth in the Eurozone in 2018 from 1.6% to 1.9%.

In aggregate, Oxford Economics forecasts that global GDP growth will accelerate to a cyclical peak of 3% in 2018. Following that peak, however, the potential for cyclical catch-up growth in the Eurozone will have been exhausted, and growth in other major economies such as the US and Japan will also cool.

World: GDP growth

Percent change from one year ago

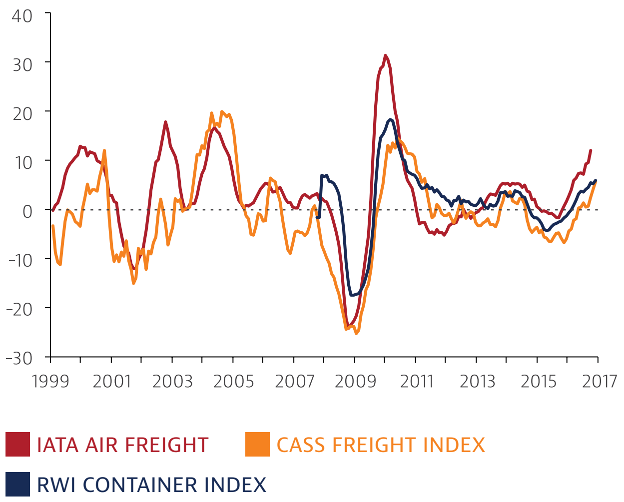


2 Supply-chain renaissance

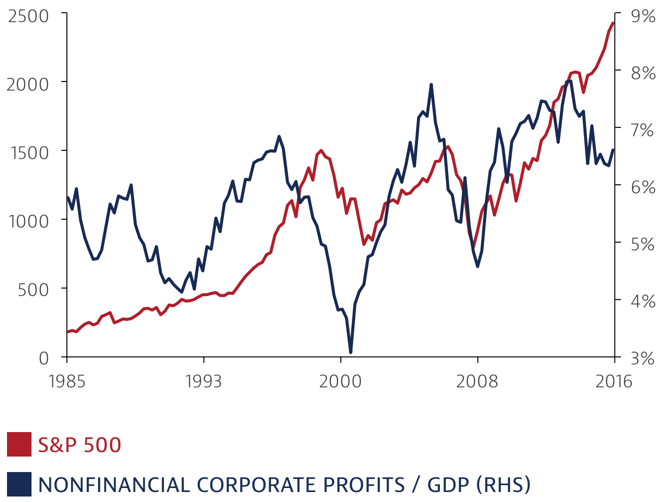
Stronger demand around the world is causing a rebound in China's processing industry, comprised of companies that assemble components sourced from elsewhere. Activity in the processing sector contracted through most of 2015 and 2016 but recovered lost ground in 2017.

This recovery has stimulated activity in supply chains around Asia. Shipments from South Korea and Taiwan to China, for example, rose by more than 20% year-on-year in the first quarter of 2017. Key physical measures of world trade, such as container shipping and air freight, are now growing at their fastest rates since before the global crisis. Oxford Economics forecasts that global trade will grow by 4.8% in 2017, the fastest rate since 2011, and remain above 3.5% from 2018 through 2020.

World: Alternative trade indicators
% year, 3m average



US: Stockmarkets and corporate profits
Red series
Blue series



3 Gradual correction in stock market valuations

Alongside the pickup in global growth and easing fears of protectionism, global equity markets have rallied through 2017. Equity markets should continue to enjoy the momentum of improving fundamentals for the next two years. Solid global trade and GDP growth, easing political risk, and cheap finance are key factors in maintaining future growth.

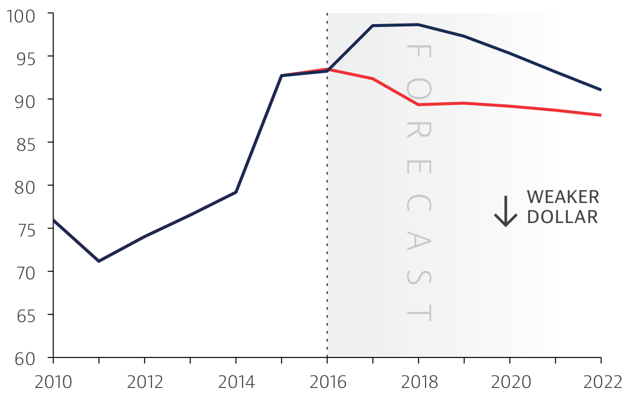
However, in key markets such as the US, a gap seems to be appearing between stock market valuations and underlying corporate profits. We assume this gap will gradually narrow through 2019 and 2020, although a sharper correction is a potential risk to our forecast.

4 Slower inflation, less-hawkish Fed, weak dollar

With wage growth and inflation failing to pick up as fast in 2017 as the Federal Reserve had anticipated, the Fed is unlikely to raise interest rates as quickly as markets anticipated a year ago. Oxford Economics now forecasts an interest rate hike in December 2017, and two interest rate hikes in both 2018 and 2019, which is a slow pace of tightening by historical standards. Cheaper-than-expected finance will support deals in the US, while a weaker dollar will increase the dollar value of deals outside of the US.

US: Effective exhange rate

Annual average

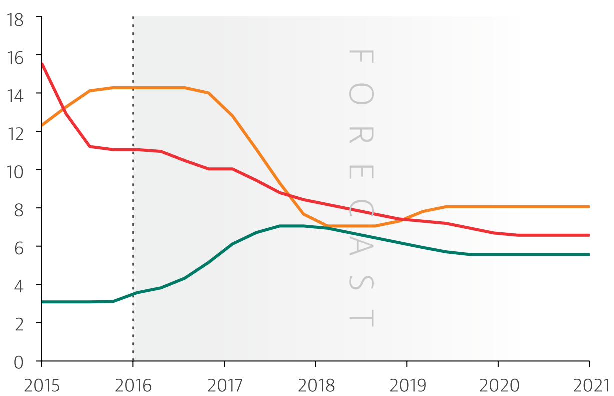


5 Cheaper financing in major emerging markets

A weaker US dollar has led to currency appreciations in emerging markets such as Russia, Mexico and Brazil. This has helped cool inflation in those economies and resulted in interest rates cuts, lowering the cost of finance and raising confidence among dealmakers.

Emerging markets: Monetary policy

Policy rate, %



POTENTIAL RISKS

A range of upside and downside risks could impact the global economy and lead to a rise or drop in deal values and volumes that differ from our transactions forecast. Those risks include:

POLICY MISSTEPS BY THE US ADMINISTRATION

Trade protectionism such as the US administration's threats to pull out of NAFTA could trigger damaging retaliatory action from other major economies. This would undermine global trade and investment flows, as well as the global deals landscape.

RISK AVERSION OVER US CORPORATE DEBT

A sharp sell-off in the US corporate bond market could quickly spread through the world economy via exchange-traded funds. This would undermine firms' access to finance and lower their appetite for dealmaking. The impact of asset price falls on corporate wealth could also hurt global deal appetite.

THE POTENTIAL FOR A DISRUPTIVE BREXIT

Failure to make progress on Brexit negotiations would renew sterling's depreciation and cause a sharp fall in UK consumer spending. The impact on trade and business confidence would exacerbate existing vulnerabilities in the Eurozone banking sector.

CYCLICAL ACCELERATION IN GLOBAL TRADE

With trade rising faster than expected in 2017, businesses could expand capacity faster than currently forecast, boosting consumer spending via high demands for labor. This in turn could generate still-faster trade growth and boost dealmaking in key trading sectors such as manufactured goods and internationally traded service sectors.

CHINA GOVERNMENT LOWERS GROWTH TARGET

Gross debt has risen from 143% of GDP to 263% of GDP inside a decade, raising financial risk in China. To tackle these financial risks, the government could cut its GDP growth target, enabling slower credit growth. This would slow global trade and GDP growth, and cool the global dealmaking environment.

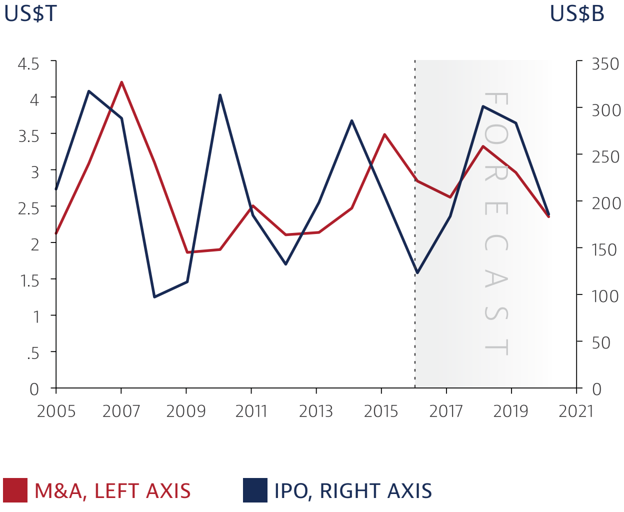
GLOBAL DEAL OUTLOOK

1 Rising deal momentum

Given how closely our forecast in the last GTF edition matches the near-final data for 2017, plus the positive developments we've seen in the global economy, we expect deal activity to accelerate in 2018. We forecast global M&A values to rise from US$2.6 trillion in 2017 to US$3.2 trillion in 2018. In the IPO market, we forecast values to climb from US$187 billion in 2017 to a cyclical peak of US$290 billion in 2018. This is a little higher than the previous cyclical peak of US$276 billion in 2014, but remains below the US$300 billion-plus volumes raised in previous peak years of 2006 and 2010.

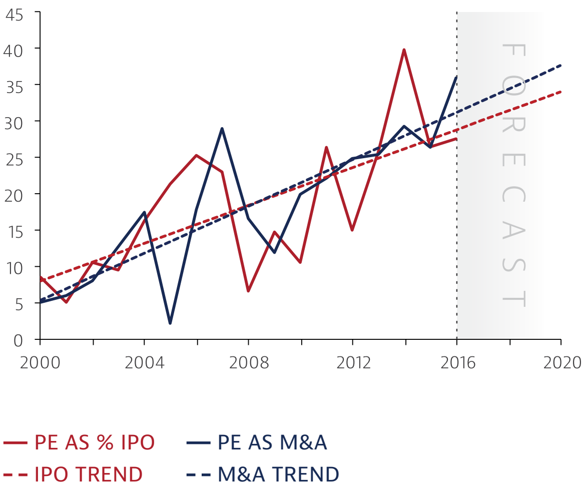
With several macroeconomic and financial deal drivers reaching a cyclical peak in 2018, however, we expect next year to mark the high point of the deal cycle. A range of factors will cool deal activity from 2019 onwards, including higher interest rates, a cyclical easing in global trade and investment growth, and a correction in equity prices. We forecast M&A values to drop to US$2.9 trillion in 2019, and IPOs to just over US$270 billion.

World: M&A and IPO values



Private equity: Role in global dealmaking

% of IPO which is PE exit, or M&A which has PE involvement on buy or sell side



2 Increased role for private equity

Throughout our forecast from 2018 to 2020, private equity will likely continue to play a key role in driving M&A activity and public offerings. The share of IPO activity involving exits by private equity owners has risen in value from below 10% in 2000 to 25% in 2016, peaking at 40% in 2014 when investors raised US$273 billion in funding through IPOs. The share of M&A activity involving private equity buyers or sellers has risen at a similar pace, albeit with less cyclical variation.

3 Finance and consumer sectors lead M&A activity

M&A accelerated in the consumer, energy and basic materials sectors in 2017, bolstered by megadeals. In the consumer sector, our forecast assumes the proposed US$42.5 billion merger between Essilor and Luxottica closes in 2017. Given the potential for stronger global consumer spending in 2018, we expect even more dealmaking in the consumer sector next year, rising to US$633 billion, along with finance, which we forecast to reach US$616 billion.

In energy, the largest deals in 2017 were General Electric's acquisition of Baker Hughes for US$32 billion and the US$21 billion merger between Energy Transfer Partners and Sunoco. Vale's US$21 billion merger with Valepar was the largest deal in basic materials sector. In both sectors, we forecast a gradual slowdown in the years ahead, as weaker growth in commodity demand in emerging markets such as China undermines the outlook for global prices and investment.

On the downside, pharma and healthcare underperformed in 2017, possibly as a result of uncertainty about US healthcare policy. Going forward, however, longer-term trends such as aging and demographics should drive higher levels of dealmaking.

M&A activity in the tech sector also dropped in 2017, yielding deal values of US$295 billion. But several trends of embedding new technology across sectors, plus activist investment in tech firms by emerging markets such as China and Saudi Arabia, suggest that deal values will rebound in the next two years.

GLOBAL M&A BY SECTOR (US$B)							
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Pharma & health	346	495	306	277	418	414	368
Finance	495	675	540	462	616	569	450
Tech & telecom	344	654	502	295	468	394	328
Consumer goods & services	463	481	483	543	633	551	435
Energy	326	293	164	345	353	312	256
Basic materials	172	227	172	238	218	186	147
Industrial & utility	333	557	645	483	531	491	389

"The pervasive expansion of emerging technologies across industries, including foodtech, fintech, and the automotive sector, will drive M&A activity as we expect to see more cross-sector deals involving technology in the next couple of years."

MICHAEL DEFRANCO

Global M&A Chair, Baker McKenzie

REGIONAL M&A OUTLOOK

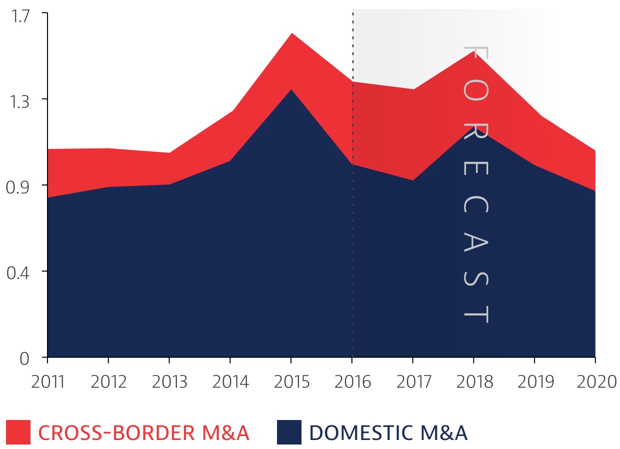
1 North America: Policy risks ease, boosting deal outlook

Factors that inhibited deal activity in North America in 2016 and 2017 look like they'll have less impact in the coming years. President Trump has not acted on his campaign pledges to impose sizeable tariffs on major trading partners, and although NAFTA negotiations continue, the most likely outcome is a tightening of rules in specific sectors rather than a total breakup. Likewise, although President Trump has announced plans to scrap the Deferred Action for Childhood Arrivals (DACA) scheme, he has also made clear that his focus is on discouraging new arrivals rather than deporting existing residents.

From a fundamental perspective, North American economies remain in good shape. A tight labor market is supporting US consumer spending, while a weaker dollar is helping exporters compete globally and boosting business investment. Oxford Economics expects a solid 2-2.5% rate of GDP growth in the US in the next two years with Canada's GDP growing more slowly given the greater role energy plays in its economy.

As M&A activity accelerates in the final months of 2017 in response to a more settled policy scene, we forecast a substantial pickup in dealmaking in 2018. We forecast that total M&A will rise to US$1.5 trillion in 2018, up from US$1.3 trillion in 2017, then ease in the following years as equity valuations cool and the cost of finance rises. However, given the Committee on Foreign Investment in the United States' increasing scrutiny of Chinese acquisitions, we expect cross-border M&A to fall in 2018 even as domestic activity rises.

North America: Total M&A activity
US$T

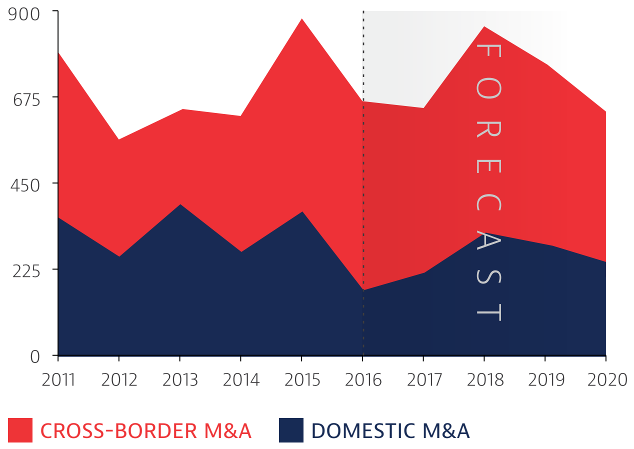


2 Europe: Self-sustaining recovery continues

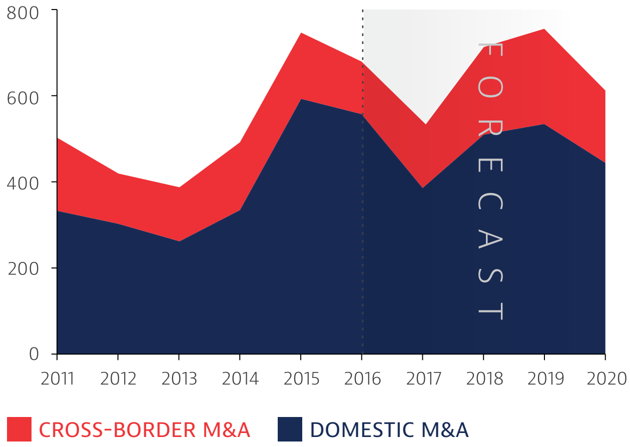
The Eurozone economy is approaching 2018 in good shape, with an improving labor market underpinning household spending, rising intra-EU trade, and growing business investment. From a political perspective, the defeat of populist candidates in the Dutch and French elections, plus the return of Chancellor Merkel in Germany, have helped address but not entirely dispel fears of anti-European populism, and strengthened confidence in the European project.

This confluence of positive deal drivers helped M&A rise higher than expected in 2017, and we expect even higher deal activity in 2018. We forecast M&A to rise to a peak of US$856 billion in 2018, up from US$640 billion in 2017, then drop as GDP growth cools and the cost of finance rises.

Europe: Total M&A activity
US$B



Asia Pacific: Total M&A activity
US$B



3 Asia Pacific: Chinese spending to support activity

M&A activity in Asia Pacific has suffered from a slowdown in Chinese outbound acquisitions through 2017. In the first three quarters of 2017 total outbound M&A from China was estimated at US$118 billion, 30% lower (pro-rata) than the US$221 billion reported in 2016. However, with the yuan appreciating in recent months and foreign exchange reserves rising again, the macroeconomic policy considerations motivating the restrictions on outbound M&A have weakened.

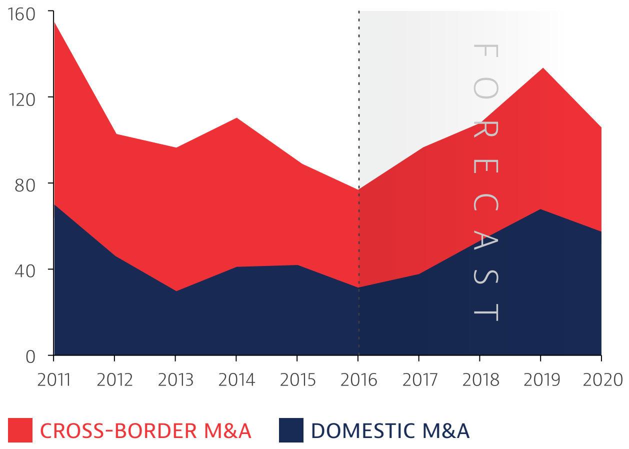
When combined with the Chinese government's highly ambitious Belt & Road policy agenda, the conditions are set for at least a partial revival of outbound Chinese investment. Alongside stronger world trade activity and cheaper finance, this will support an upturn in total M&A activity. We forecast M&A activity in the region to rise from US$534 billion in 2017 to US$710 billion in 2018, and top US$750 billion in 2019.

4 Latin America: Easing risks boost appetite

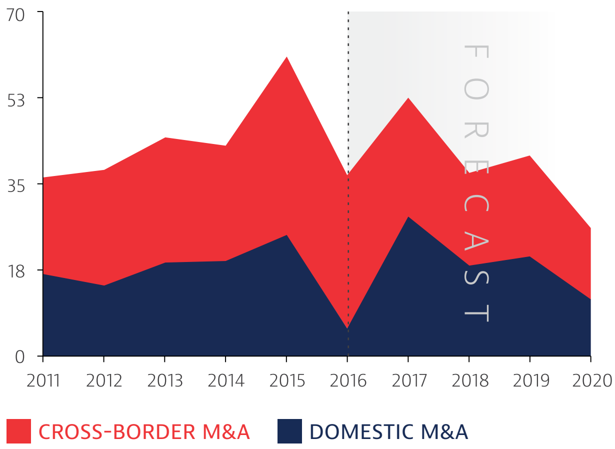
Latin America has benefited from two positive deal drivers in 2017: the easing of fears that Trump will impose 45% tariffs on Mexican exporters, although targeted sectoral restrictions still seem likely, and a rapid cooling of inflation in Brazil. These developments have improved business and investor confidence in the region's two largest economies, which together account for over 70% of total M&A activity in Latin America.

The region has seen an upturn in M&A activity throughout the year, with total deal values rising to US$94 billion in 2017, up from US$76 billion in 2016. Greater confidence in Mexico's trade and investment relationship with the US, as well as the rally in prices for copper and iron ore and economic recovery in Brazil should help deal values accelerate into 2018 and beyond. We forecast total M&A activity to peak at US$134 billion in 2019.

Latin America: Total M&A activity
US$B



Africa and Middle East: Total M&A activity
US$B



5 Africa and Middle East: Transition continues

The Middle East continues to transition toward a lower-oil price future, but the sharpest cuts to government spending are now complete. Oil remains key to the macro outlook, as the "OPEC-plus" countries continue to discuss quotas for 2018. However, these discussions are more about the near-term rebalancing of the market rather than fundamental shifts in long-term production. Barring a worsening of diplomatic tensions between Qatar and the Gulf Cooperation Council economies, the overall business and investment environment in the Middle East should gradually improve.

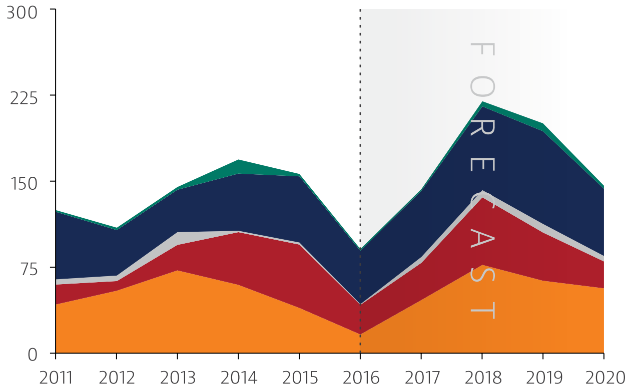
That said, one megadeal inflated the value of M&A activity in the Middle East in 2017 — the US$14 billion merger of National Bank of Abu Dhabi and First Gulf Bank — which skews the aggregate picture. Including this deal, plus several other US$1 billion transactions in small markets, total M&A in the region was US$52 billion in 2017, but assuming no comparable megadeal in 2018 we forecast this to drop to US$37.5 billion.

REGIONAL IPO OUTLOOK

1 Domestic IPO market accelerates

As anticipated in our last edition of GTF, the IPO market has rebounded in 2017 ahead of the M&A cycle. At the global level, domestic IPOs rose to US$146 billion in 2017, up from US$92 billion in 2016. We forecast that domestic IPO activity will continue to rise, to a peak of over US$220 billion in 2018, then cool in subsequent years. However, as equity valuations become more stretched, and borrowing costs start to rise, the value of domestic IPO proceeds will cool in subsequent years.

World: Domestic IPO by region
US$B



2 North America: IPOs to reach all-time high in 2018

IPO markets in North America have been particularly buoyant in 2017 with listings such as Snap's US$3 billion IPO in the technology sector. Total domestic IPO proceeds nearly tripled from just US$16.7 billion in 2016 to an estimated US$44 billion in 2017. We forecast that domestic IPO activity will accelerate further, rising to an all-time high of US$78 billion in 2018 as buoyant stock markets and concerns about the level of corporate indebtedness cause investors to look for alternative funding sources.

3 Europe: IPOs to rise despite Brexit uncertainty

Domestic IPOs raised US$38 billion in 2017, US$12 billion more than the previous year. The star performer was the UK market, which raised over US$8 billion in IPO proceeds despite political uncertainty about Brexit. Spain's market was also particularly buoyant, with four issues raising a total of US$5 billion. Given the robust rates of GDP growth forecasted for the Eurozone, we anticipate that total domestic IPO activity in Europe will peak at US$60 billion in 2018, easing thereafter.

4 Asia Pacific: Domestic listings to peak in 2019

Stock markets have been increasingly active in Asia Pacific, where domestic IPO proceeds rose from US$47 billion in 2016 to an estimated US$55 billion in 2017. China accounted for over US$30 billion of this total despite the largest Chinese listing being a modest US$368 million. Looking ahead, Asia Pacific domestic IPO activity should accelerate in the next two years, reaching a cyclical peak of $82 billion in 2019.

> "With key risks to the global economic outlook easing, we expect IPOs to hit a new post-financial crisis high in 2018."
>
> **KOEN VANHAERENTS**
>
> Global Capital Markets Chair, Baker McKenzie

5 Latin America: Stability supports IPO markets

IPO markets in Brazil and Mexico rebounded in 2017 with domestic IPO proceeds in both countries rising ten-fold or more in 2017 from the year before. With financial market conditions continuing to improve in both economies, and political risk easing, we expect a further pickup in domestic IPO activity in 2018, with a cyclical peak of US$7.5 billion in 2019.

6 Africa and Middle East: Aramco aside, fundamentals support IPO activity

The key development in the region's IPO markets is the potential part-listing of Saudi Aramco, which we did not factor into our forecast for the reasons explained in the box on page 25. Putting this transaction aside, the underlying conditions for IPO in the region are improving. Domestic financial sectors are becoming less-constrained, austerity measures are starting to ease, and activity in non-oil sectors is gathering pace. We forecast total domestic IPO proceeds to quadruple from US$3 billion in 2017 to a cyclical peak of $7 billion in 2019 although far short of the previous peak of US$12.4 billion in 2014.

GLOBAL IPO BY SECTOR (US$B)

	2014	2015	2016	2017	2018	2019	2020
Pharma & health	19.7	15.6	13.7	15.7	22.3	21.4	17.7
Finance	89.7	70.8	47.2	51.1	83.9	82.4	59.3
Tech & telecom	50.4	29.3	9.0	21.6	45.5	40.5	24.3
Consumer goods & services	53.4	33.8	24.9	38.2	59.8	55.1	33.9
Energy	19.0	4.3	10.5	7.3	13.9	12.3	6.1
Basic materials	8.8	8.3	5.0	8.7	10.7	10.5	6.3
Industrial & utility	35.1	42.0	20.6	43.8	55.9	54.2	40.7

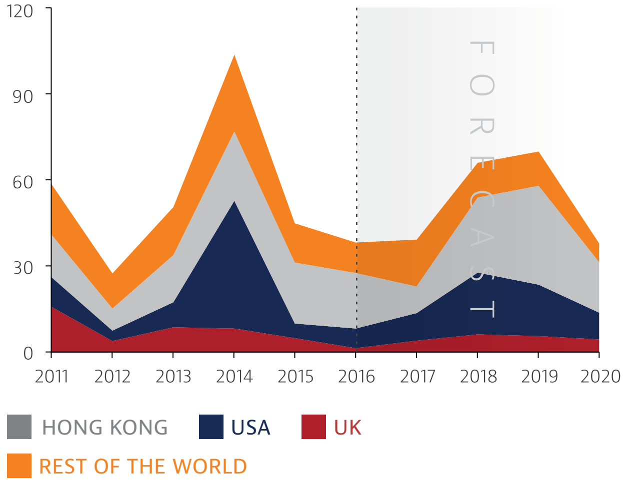
7 Sectors: Tech, consumer and finance to drive IPO activity

From a sectoral perspective, tech and telecom is expected to drive the rebound in IPO activity in 2018, aided by the Chinese government's efforts to spur tech firms to go public. With household spending remaining strong globally, consumer companies should also benefit from positive market conditions. Likewise, with low interest rates likely to support household and corporate borrowing in the next few years, finance issues should also drive IPO activity higher.

8 Cross-border IPO: Hong Kong retains top spot

Cross-border IPO has been a more sluggish in 2017 than the domestic market, with total proceeds of US$40 billion. However, activity has picked up through the second half of the year, and we forecast that cross-border IPO activity will rebound to US$66 billion in 2018, albeit well short of the peaks reached during previous deal cycles. As in previous years, we forecast that the Hong Kong Stock Exchange will host the lion's share of cross-border listings, particularly as Chinese firms increasingly seek overseas investment, closely followed by the New York Stock Exchange.

World: Cross-border IPO by region
US$B



Saudi Aramco IPO

Our forecast does not include Saudi Aramco's proposed IPO in 2018 because of conflicting views over the amount of proceeds the IPO will raise, and where the listings will take place.

The Saudi government aims to raise US$100 billion by selling a 5% stake in Aramco, which would value the company at US$2 trillion. But independent analysts have produced much lower valuations for the company ranging from US$250 billion to US$500 billion. As such, the proceeds from selling a 5% share in Aramco could range from US$12.5 billion to US$100 billion.

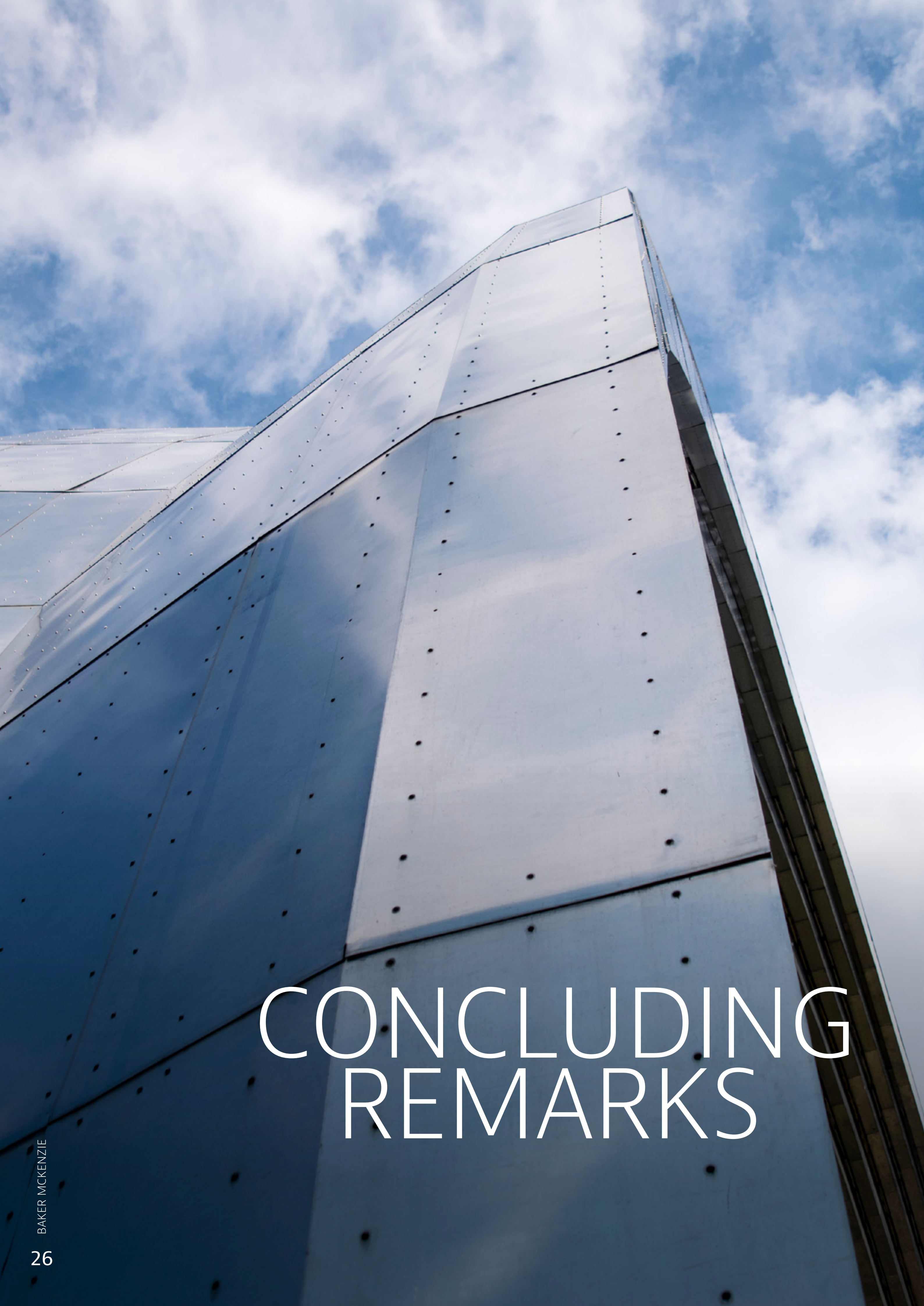
The Saudi government is also trying to combine an issue in Riyadh with one on an overseas exchange. Market consensus is that only New York, London or Hong Kong have the depth of liquidity to absorb a listing of several tens of billions of dollars, but it is not yet clear which one would host the overseas listing.

For these two reasons, we did not incorporate the Aramco IPO into our 2018 forecast, but note that the listing would substantially affect the size and distribution of domestic and cross-border IPO activity if it goes forward as planned.

POTENTIAL PROCEEDS FROM SALE OF 5% STAKE IN ARAMCO

Valuation	Proceeds (based on 5% stake)	% boost to 2018 global IPO values
US$2T	US$100B	35%
US$1T	US$50B	17%
US$500B	US$25B	9%
US$250B	US$10B	3.5%

[1] See *The IPO of Saudi Aramco: Some Fundamental Questions*, Oxford Institute for Energy Studies, March 2017 for a full examination of this issue.



CONCLUDING REMARKS

Our report presents an optimistic outlook for the global economy and dealmaking in the coming years. We base this forecast on the assessment that the threats to free trade and investment flows have lessened though far from vanished, and that positive macroeconomic trends will support deal activity.

The experience of recent years demonstrates that we cannot take positive conditions for granted. In several key economies, particularly the US and other countries at risk of protectionist measures, dealmakers will need to continue to make the case for liberal trade and investment frameworks. Given the rise of equity valuations in recent years, dealmakers may also need to apply greater scrutiny to the financial case for transactions.

Looking forward, those interested in understanding the outlook for global transactions in greater depth will benefit from the reports we will be releasing in subsequent months on the following topics:

- **Sectoral M&A analysis by region:** We will evaluate the deal drivers in the pharma and healthcare, finance, tech and telecom, consumer goods, energy, and basic materials sectors within the five major regions of the global economy: North America, Europe, Asia Pacific, Latin America, and Africa and the Middle East. These reports will combine insights from Baker McKenzie partners with analytical and quantitative analysis from Oxford Economics.

Incorporating these enhancements and building on our experience developing three editions of the Global Transactions Forecast, we look forward to remaining the go-to resource for those seeking to understand the global dealmaking landscape.

APPENDIX

APPENDIX A Transactions Attractiveness Indicator

In addition to our M&A and IPO forecast, we have updated our Transaction Attractiveness Indicator, which rates the attractiveness of a country's environment for M&A and IPO activity on a scale from 0 to 10. The score is based on a weighted average of 10 key economic, financial and regulatory factors that are typically associated with higher M&A and IPO activity.

Key factors include the country's economic growth, stock market size, size of the economy, openness to trade, sovereign credit risk, political stability, ease of doing business, legal structure, freedom to trade, and business regulation. Because many of these factors change slowly over time, a country's current score is a strong indicator of whether it will have the right features to attract transactional activity in the future. The table below ranks the 40 countries featured in this edition of the GTF based on their Transaction Attractiveness Indicator scores, including three additional countries included for the first time: the Czech Republic, Luxembourg and Ireland.

Rank	2016 Rank	Country	Score
1	1	Hong Kong	9.1
2	2	Singapore	8.8
3	–	Luxembourg	7.9
4	3	Switzerland	7.6
5	4	Netherlands	7.4
6	5	Sweden	7.1
7	–	Ireland	6.9
8	7	Belgium	6.6
9	6	United Kingdom	6.6
10	9	Canada	6.3
11	7	United Arab Emirates	6.2
12	10	Australia	6.1
13	–	United States	6.0
14	10	Japan	6.0
15	10	Malaysia	5.9
16	13	Austria	5.8
17	14	Germany	5.7
18	16	France	5.5
19	–	Czech Republic	5.1
20	17	Chile	4.8

Rank	2016 Rank	Country	Score
21	18	South Korea	4.8
22	19	Spain	4.7
23	20	Poland	4.5
24	22	Italy	4.2
25	25	Peru	4.1
26	21	Saudi Arabia	4.0
27	23	South Africa	3.7
28	24	Thailand	3.5
29	25	China	3.5
30	28	Vietnam	3.0
31	27	Mexico	3.0
32	29	Colombia	2.7
33	31	Russia	2.3
34	32	Indonesia	2.3
35	30	Turkey	2.3
36	33	India	1.8
37	34	Brazil	1.8
38	35	Nigeria	1.5
39	36	Egypt	1.4
40	37	Argentina	1.0

APPENDIX B Country Forecasts

NORTH AMERICA: M&A TRANSACTIONS (US$B)								
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
United States	Domestic Cross-Border	903.2 209.8	1,251.5 274.4	916.3 392.7	814.5 439.5	1,084.9 356.1	902.5 244.8	774.2 154.0
Canada	Domestic Cross-Border	56.4 43.7	60.5 24.4	28.2 20.3	48.9 18.1	42.4 40.3	40.0 39.1	38.8 35.5
Regional Total	**Domestic Cross-Border**	**959.6 253.5**	**1,312.0 298.7**	**944.5 413.0**	**863.4 457.7**	**1,127.3 396.3**	**942.6 283.8**	**813.0 189.5**

*Cross-border data represents inbound activity only.

EUROPE: M&A TRANSACTIONS (US$B)								
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Austria	Domestic Cross-Border	1.5 4.1	0.5 2.8	0.9 2.0	0.6 4.0	1.3 7.2	1.1 6.6	0.9 5.5
Belgium	Domestic Cross-Border	0.7 2.8	1.6 10.0	0.4 15.4	0.5 5.9	1.8 9.9	1.1 7.8	0.8 5.8
Czech Republic	Domestic Cross-Border	0.0 8.0	0.1 5.0	0.2 2.0	1.3 10.7	1.0 6.5	1.3 6.5	0.6 5.9
France	Domestic Cross-Border	49.8 44.3	26.1 72.3	16.4 30.6	40.5 43.3	56.5 58.7	46.1 48.0	35.6 41.6
Germany	Domestic Cross-Border	13.5 62.8	24.7 47.0	13.1 27.6	20.2 42.6	45.5 86.8	39.3 87.4	34.6 78.7
Italy	Domestic Cross-Border	6.0 23.2	7.3 25.4	22.1 31.3	12.0 72.8	17.0 20.3	14.6 13.5	11.4 8.8
Ireland	Domestic Cross-Border	1.2 9.9	1.5 54.3	0.5 11.8	0.6 3.6	3.4 19.0	3.2 11.8	1.8 7.0
Luxembourg	Domestic Cross-Border	0.0 4.7	146.6 15.5	0.1 3.4	0.4 4.9	0.6 18.9	0.3 13.3	0.1 10.1
Netherlands	Domestic Cross-Border	1.5 20.4	8.6 33.6	6.6 18.9	6.6 24.0	14.4 57.2	11.4 54.6	9.1 37.2
Poland	Domestic Cross-Border	2.5 8.9	1.4 5.0	1.9 1.4	5.5 4.3	3.4 5.7	3.6 6.0	2.0 4.6
Russia	Domestic Cross-Border	21.3 5.2	8.5 8.2	14.3 7.5	9.1 15.5	22.0 3.8	27.5 4.7	21.7 3.9
Spain	Domestic Cross-Border	12.9 29.5	14.2 23.2	8.9 20.7	18.6 19.1	21.2 30.6	19.6 27.5	15.4 25.7
Sweden	Domestic Cross-Border	2.8 13.0	2.2 12.2	2.4 10.1	25.0 5.3	2.6 14.6	1.6 13.6	1.3 11.4
Switzerland	Domestic Cross-Border	24.0 22.9	67.9 31.4	2.2 10.6	7.0 80.0	29.8 31.9	20.9 27.4	17.4 22.4
Turkey	Domestic Cross-Border	7.6 3.7	3.6 6.3	1.0 5.0	3.3 5.2	6.8 6.6	7.5 7.9	3.9 6.6
United Kingdom	Domestic Cross-Border	61.9 65.0	33.2 108.1	48.3 292.0	31.5 70.1	52.7 109.2	48.8 103.5	45.0 93.9
Regional Total	**Domestic Cross-Border**	**240.0 381.4**	**361.8 515.0**	**146.0 513.4**	**196.9 443.4**	**308.4 547.6**	**271.9 488.3**	**219.3 407.2**

ASIA PACIFIC: M&A TRANSACTIONS (US$B)								
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Australia	Domestic Cross-Border	38.4 35.3	41.3 30.6	36.8 17.4	21.6 22.1	53.8 35.5	66.6 39.2	55.0 30.9
China	Domestic Cross-Border	156.4 26.8	326.2 31.8	361.1 15.9	212.1 28.1	230.1 47.9	241.2 56.0	228.5 43.3
India	Domestic Cross-Border	6.1 11.6	12.8 10.6	7.2 10.3	13.1 33.4	22.3 25.6	24.1 28.6	17.8 22.3
Indonesia	Domestic Cross-Border	2.6 2.7	0.2 3.7	4.5 2.1	1.5 2.0	3.7 9.7	4.0 11.2	2.6 9.4
Japan	Domestic Cross-Border	52.7 12.3	61.6 7.5	75.7 27.7	53.1 15.9	87.5 16.5	74.7 16.5	59.0 9.6
Hong Kong	Domestic Cross-Border	9.6 28.5	68.4 39.9	13.0 18.5	14.8 15.1	19.2 29.1	19.1 30.8	11.1 23.8
Malaysia	Domestic Cross-Border	3.9 3.0	4.4 2.7	2.5 4.7	2.5 3.6	7.8 5.3	9.9 5.4	8.7 3.6
Singapore	Domestic Cross-Border	15.9 9.3	9.3 10.1	10.3 8.0	5.7 17.3	12.7 10.4	15.6 11.9	10.6 8.6
South Korea	Domestic Cross-Border	39.6 16.7	57.1 8.2	30.3 2.4	49.9 4.0	51.8 12.2	55.4 12.2	37.6 7.8
Thailand	Domestic Cross-Border	2.1 1.8	4.4 0.9	5.5 2.0	3.6 2.8	6.4 3.5	7.1 3.6	3.6 2.5
Vietnam	Domestic Cross-Border	0.6 0.1	1.1 1.0	1.2 3.4	0.3 0.5	1.4 0.6	1.5 0.7	0.8 0.6
Regional Total	**Domestic Cross-Border**	**334.3 158.0**	**594.1 152.4**	**557.3 123.3**	**385.9 148.5**	**508.4 202.4**	**531.5 222.7**	**444.0 167.4**

LATIN AMERICA: M&A TRANSACTIONS (US$M)								
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Argentina	Domestic Cross-Border	5,498 2,478	469 133	1,327 1,965	1,000 3,105	1,160 1,912	1,367 2,537	1,325 2,384
Brazil	Domestic Cross-Border	24,013 20,428	23,790 16,464	7,528 14,157	27,813 26,010	29,839 16,591	40,475 20,501	35,060 14,107
Chile	Domestic Cross-Border	555 12,902	1,418 3,508	15,149 4,674	850 4,988	2,046 5,453	2,188 6,583	1,777 4,367
Colombia	Domestic Cross-Border	1,240 1,434	1,189 259	1,221 3,031	941 409	2,248 1,935	2,596 3,917	1,996 2,566
Mexico	Domestic Cross-Border	4,853 6,828	8,684 9,544	3,855 7,012	4,268 5,240	12,645 14,546	14,338 16,009	12,091 12,268
Peru	Domestic Cross-Border	593 16,695	607 1,670	10 3,526	96 3,922	937 2,372	1,150 2,561	597 1,796
Regional Total	**Domestic Cross-Border**	**39,031 70,035**	**40,005 47,825**	**29,906 45,623**	**36,089 58,011**	**50,775 57,047**	**64,658 69,503**	**54,708 49,905**

AFRICA & MIDDLE EAST: M&A TRANSACTIONS (US$M)								
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Egypt	Domestic Cross-Border	336 488	704 1,132	1,514 563	534 1,490	1,084 3,154	1,551 3,866	1,051 3,794
Nigeria	Domestic Cross-Border	4,973 1,407	847 2,523	1 1,202	591 125	1,421 2,556	1,419 2,517	715 1,989
Saudi Arabia	Domestic Cross-Border	279 468	770 772	607 483	664 517	759 796	845 950	513 611
South Africa	Domestic Cross-Border	2,969 1,145	8,163 21,544	1,032 9,691	2,477 2,062	6,521 1,939	7,177 2,015	3,124 963
UAE	Domestic Cross-Border	1,355 798	7,017 2,223	605 1,828	16,004 3,907	3,150 762	3,305 855	2,536 712
Regional Total	**Domestic Cross-Border**	**19,160 23,994**	**24,429 36,931**	**5,602 31,448**	**25,983 18,865**	**18,223 19,236**	**20,108 21,000**	**11,437 14,795**

NORTH AMERICA: M&A TRANSACTIONS (# OF DEALS)								
		2014	2015	2016	2017	2018	2019	2020
United States	Domestic Cross-Border	7,253 1,427	7,452 1,526	5,947 1,281	8,894 2,089	8,959 1,790	7,316 1,500	6,377 1,237
Canada	Domestic Cross-Border	860 491	725 496	578 352	712 518	650 600	608 593	603 552
Regional Total	**Domestic Cross-Border**	**8,113 1,918**	**8,177 2,022**	**6,525 1,633**	**9,606 2,607**	**9,609 2,390**	**7,924 2,093**	**6,980 1,788**

*Cross-border data represents inbound activity only.

EUROPE: M&A TRANSACTIONS (# OF DEALS)								
		2014	2015	2016	2017	2018	2019	2020
Austria	Domestic Cross-Border	48 63	61 73	37 63	28 53	72 82	58 79	53 69
Belgium	Domestic Cross-Border	70 125	90 164	59 103	47 136	84 123	54 111	38 98
Czech Republic	Domestic Cross-Border	37 51	64 74	67 73	28 34	170 111	254 130	128 119
France	Domestic Cross-Border	1,578 410	2,022 496	1,430 397	1,182 390	1,985 466	1,713 404	1,384 377
Germany	Domestic Cross-Border	745 586	726 569	485 504	498 498	759 629	693 736	625 680
Italy	Domestic Cross-Border	272 249	349 325	309 270	451 374	378 327	352 254	286 194
Ireland	Domestic Cross-Border	50 103	55 113	31 70	27 114	55 70	54 68	31 60
Luxembourg	Domestic Cross-Border	6 41	17 61	6 34	9 60	14 50	9 41	3 34
Netherlands	Domestic Cross-Border	202 222	208 292	178 269	157 283	256 331	215 336	181 262
Poland	Domestic Cross-Border	214 149	375 221	221 128	211 114	282 132	340 169	248 146
Russia	Domestic Cross-Border	1,236 279	1,057 277	845 216	844 210	1,492 241	1,637 271	1,151 223
Spain	Domestic Cross-Border	451 402	475 415	234 275	354 335	523 372	513 355	422 348
Sweden	Domestic Cross-Border	257 180	257 178	245 143	258 168	383 146	257 144	289 134
Switzerland	Domestic Cross-Border	186 115	158 132	123 105	125 130	230 102	176 91	159 76
Turkey	Domestic Cross-Border	167 97	166 88	60 49	49 61	157 103	174 112	94 97
United Kingdom	Domestic Cross-Border	1,382 831	1,358 926	859 748	1,383 914	1,177 564	1,104 582	942 733
Regional Total	**Domestic Cross-Border**	**7,512 4,658**	**8,025 5,166**	**5,645 4,175**	**6,240 4,750**	**8,765 4,816**	**8,324 4,781**	**6,621 4,447**

ASIA PACIFIC: M&A TRANSACTIONS (# OF DEALS)								
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Australia	Domestic Cross-Border	580 343	530 334	417 256	542 340	608 441	643 472	559 376
China	Domestic Cross-Border	1,457 313	1,660 250	2,064 258	1,807 349	1,694 275	1,672 331	1,617 256
India	Domestic Cross-Border	417 267	507 306	358 195	664 280	527 351	539 372	412 302
Indonesia	Domestic Cross-Border	26 66	13 58	26 45	23 63	24 85	27 104	17 88
Japan	Domestic Cross-Border	1,372 167	1,493 156	1,394 111	1,519 132	1,739 168	1,523 172	1,267 117
Hong Kong	Domestic Cross-Border	168 146	180 151	220 174	268 180	216 168	190 181	130 144
Malaysia	Domestic Cross-Border	230 91	259 72	183 71	171 85	295 95	351 97	312 64
Singapore	Domestic Cross-Border	162 91	139 72	122 71	142 85	155 95	175 97	109 64
South Korea	Domestic Cross-Border	755 145	843 145	750 84	789 88	757 98	836 105	600 90
Thailand	Domestic Cross-Border	67 46	47 33	41 43	60 47	69 60	79 64	40 45
Vietnam	Domestic Cross-Border	183 53	303 69	289 84	221 72	263 68	267 71	144 60
Regional Total	**Domestic Cross-Border**	**5,699 1,975**	**6,162 1,899**	**6,059 1,593**	**6,440 1,919**	**6,603 2,139**	**6,576 2,333**	**5,396 1,818**

LATIN AMERICA: M&A TRANSACTIONS (# OF DEALS)								
		2014	2015	2016	2017	2018	2019	2020
Argentina	Domestic Cross-Border	28 39	28 28	22 27	44 60	34 67	35 73	29 68
Brazil	Domestic Cross-Border	207 233	192 296	135 180	182 204	266 393	277 468	252 341
Chile	Domestic Cross-Border	36 51	37 65	38 55	42 52	44 64	51 74	43 57
Colombia	Domestic Cross-Border	22 46	16 36	12 36	11 39	23 65	26 64	20 42
Mexico	Domestic Cross-Border	75 75	89 85	52 50	39 85	117 104	136 115	118 95
Peru	Domestic Cross-Border	26 38	21 37	13 31	16 44	29 55	34 58	19 43
Regional Total	**Domestic Cross-Border**	**423 616**	**420 670**	**297 467**	**363 594**	**566 926**	**620 1,056**	**529 800**

AFRICA & MIDDLE EAST: M&A TRANSACTIONS (# OF DEALS)								
		2014	2015	2016	2017	2018	2019	2020
Egypt	Domestic Cross-Border	38 22	30 54	31 34	20 25	17 42	22 42	14 34
Nigeria	Domestic Cross-Border	16 19	16 25	5 23	17 11	18 17	20 20	13 18
Saudi Arabia	Domestic Cross-Border	23 16	22 21	21 14	22 27	25 26	28 25	17 17
South Africa	Domestic Cross-Border	111 70	126 85	70 45	111 61	171 103	184 111	106 80
UAE	Domestic Cross-Border	29 47	27 55	32 38	41 44	22 48	24 50	21 44
Regional Total	**Domestic Cross-Border**	**395 451**	**371 518**	**263 354**	**330 429**	**413 576**	**453 619**	**280 434**

NORTH AMERICA: DOMESTIC IPOs (US$B)							
	2014	2015	2016	2017	2018	2019	2020
United States	56.0	35.3	16.2	39.7	70.9	57.1	50.8
Canada	4.5	4.7	0.5	4.6	7.4	7.3	6.7
Regional Total	**60.5**	**40.1**	**16.7**	**44.3**	**78.3**	**64.4**	**57.6**

EUROPE: DOMESTIC IPOs (US$B)							
	2014	2015	2016	2017	2018	2019	2020
Austria	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	0.8	0.4	0.0	0.3	4.7	1.0	0.3
Czech Republic	0.0	0.0	0.0	0.0	0.1	0.2	0.1
France	3.7	5.5	0.5	2.4	6.4	5.0	2.7
Germany	4.1	6.7	5.3	2.6	5.7	3.3	1.7
Italy	3.5	5.4	1.6	1.2	3.0	1.6	0.9
Ireland	0.4	0.4	0.0	0.0	0.6	0.6	0.1
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands	3.6	7.0	2.7	1.2	6.0	4.0	1.4
Poland	0.4	0.3	0.3	0.7	1.8	2.3	1.6
Russia	1.1	0.2	0.0	0.5	1.2	1.8	0.4
Spain	3.6	8.9	0.2	5.5	7.5	4.8	2.7
Sweden	2.6	5.2	2.5	2.7	3.5	2.2	1.4
Switzerland	1.7	0.0	0.9	4.7	1.1	0.7	0.3
Turkey	0.3	0.0	0.1	0.5	1.5	2.0	1.3
United Kingdom	17.5	14.6	5.3	8.3	10.7	9.8	6.8
Regional Total	**46.9**	**56.1**	**26.3**	**32.8**	**59.9**	**42.7**	**23.7**

ASIA PACIFIC: DOMESTIC IPOs (US$B)							
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Australia	12.1	5.5	4.1	2.6	5.3	5.8	4.4
China	12.7	24.6	23.8	27.3	34.3	36.4	28.9
India	0.3	2.1	4.0	6.8	5.3	5.1	3.9
Indonesia	0.6	0.6	1.0	1.0	2.1	2.5	1.8
Japan	10.2	15.1	7.5	3.4	9.0	12.8	8.6
Hong Kong*	4.6	2.4	1.6	2.4	4.1	5.1	3.7
Malaysia	1.3	1.2	0.2	1.2	1.9	2.7	1.8
Singapore	2.1	0.4	1.2	2.9	3.3	2.8	1.5
South Korea	1.0	1.8	1.6	2.1	1.8	1.4	0.9
Thailand	2.7	3.5	1.1	2.3	4.6	5.0	2.2
Vietnam	0.4	0.1	0.2	0.3	0.6	0.8	0.3
Regional Total	**50.8**	**58.6**	**47.5**	**55.2**	**74.2**	**82.2**	**59.2**

*Data reflects listings by Hong Kong-based companies only.

LATIN AMERICA: DOMESTIC IPOs (US$M)							
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Argentina	15	-	32	-	163	263	139
Brazil	172	193	215	1,981	3,161	4,578	3,139
Chile	-	-	-	-	52	303	130
Colombia	-	-	-	-	122	255	113
Mexico	942	1,764	179	3,373	2,823	2,084	1,623
Peru	-	-	-	-	-	-	-
Regional Total	**1,128**	**1,957**	**427**	**5,353**	**6,321**	**7,483**	**5,143**

AFRICA & MIDDLE EAST: DOMESTIC IPOs (US$M)							
	2014	2015	2016	2017	2018	2019	2020
Egypt	126	151	162	226	332	549	275
Nigeria	651	0	0	0	185	407	162
Saudi Arabia	6,409	1,107	242	401	1,667	2,478	1,429
South Africa	823	477	719	539	672	807	179
UAE	2,909	0	0	0	560	1,062	130
Regional Total	**12,409**	**2,113**	**1,478**	**1,535**	**4,496**	**6,980**	**2,864**

CROSS-BORDER IPO TRANSACTIONS (US$B)							
	2014	2015	2016	2017	2018	2019	2020
Hong Kong*	24.3	21.2	19.4	10.2	26.4	34.7	17.6
Singapore	0.6	0.0	1.1	1.7	2.7	3.1	1.9
United Kingdom	8.6	5.2	1.6	4.2	6.4	5.9	4.7
United States	44.7	5.1	6.8	8.7	21.6	18.0	9.4
Total	**104.4**	**45.3**	**38.6**	**40.3**	**66.6**	**70.5**	**38.3**

*Data includes listings by companies based in mainland China.

APPENDIX C Methodology

To arrive at our forecasts for M&A and IPO activity by region, country and sector, we commissioned Oxford Economics to develop modeling techniques that relate historic changes in transactions flows to key structural and cyclical drivers. As part of that modelling approach, we employed a "panel data" construct that allowed us to model the impact of nine cyclical and structural explanatory variables (listed below) on M&A and IPO activity over time.

In estimating global transactional activity, we used data on completed deals rather than announced deal values, which are more typically reported in the media. From an analytical modeling perspective, it makes more sense to use completed deals for forecasting as it reflects the actual outcome. Additionally, we employed one regression equation using data for all 40 countries in our sample, thus allowing us to use variations in the data across time and countries. The panel data approach helps us account for many of the structural variables we wish to include (such as business environment measures), that change slowly over time. This approach also enables us to control for variables we cannot observe or measure, such as cultural factors.

We found that estimating global transactional activity separately for emerging markets and developed economies yielded better results. This likely reflects the fact that investors give different weightings to the factors that influence their transaction decisions when investing in developed economies versus emerging markets. When calculating our estimations, we grouped countries according to standard IMF classifications. We used the same approach for domestic and cross-border transactions.

EXPLANATORY VARIABLES

CYCLICAL VARIABLES

- Stock market capitalization – local stock market capitalization/GDP
- Trade/GDP
- M2 (money supply/GDP)
- Equity prices
- Spread between 10-year government bonds in domestic market versus the US 10-year government bond
- US VIX Equity Index
- Current account balance/GDP

STRUCTURAL VARIABLES

- Legal structure and property rights
- Freedom to trade

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