Strong signs for New England M&A in 1H16 - Analysis
by Chris DeLuca and Esther D'Amico
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There are strong signs for dealmaking in New England during the first half of 2016, said Kevin Ramsier, founder and managing partner of Boston-based Vesticor Advisors. Contributing factors cited for a buoyant M&A market in the region include executive confidence, which has been increasing for the past few years, and access to relatively cheap capital due to the Federal Reserve keeping interest rates low.

Strategic acquirers are likely to dominate buyside movement because corporations have excess cash available, three sources agreed. However, Ramsier pointed to a possible uptick in activity from PE firms during the first half of the year because they also have a great deal of funds from their limited partners for acquisitions.

Increased regulation of the leveraged loan market has tightened the availability of credit for PE buyers to some extent, which could impact the number of deals they complete, noted Joseph Basile, co-chair of the Mergers & Acquisitions Practice Group at Foley Hoag.

Strategics will likely be able to justify paying higher valuations due to synergies they can achieve, with most in a position to acquire with minimal borrowing, Basile said. Add to this the recent volatility in the stock market and 2016 may see more PE firms seeking exits via strategic buyers.

Basile and Ramsier both indicated that financial services would be among the best-performing sectors in New England in 2016, pointing also to biotech and technology as ripe for M&A activity. Additionally, healthcare will generate a great deal of interest, however, the speed of dealmaking is hard to forecast in this sector due to the strong regulatory environment, Basile noted.

Joseph Conahan, partner at WilmerHale, also said he believes that pharma and life sciences will continue to see a great deal of activity in New England, with medical devices an area where he expects to see continued consolidation. In addition, cross border activity in the region should remain high, with many large pharma companies based outside of the US, he added.

Anthem's (NYSE:ANTM) acquisition of **Cigna** (NYSE:CI) for USD 48.4bn and **Aetna**'s (NYSE:AET) acquisition of **Humana** (NYSE:HUM) for USD 37bn, two major deals in 2015, will have the potential to be industry game-changers, Basile noted. Both deals have easily won stockholder approval but both are still undergoing regulatory review.

Dealmaking in the tech sector, which has been consistently active in New England, is expected to be strong in the first half of 2016. Tech companies could look to take advantage of the appetite for M&A by divesting parts of their business that are underperforming.

Basile pointed to the **EMC/Dell** deal, a major story in 2015, as one of the factors that could greatly impact the tech sector in the region in the first half of 2016. Dell's October 2015 proposal to acquire Hopkinton, Massachusetts-based EMC for a staggering USD 67bn has implications for a wide array of companies that provide servers, storage, virtualization, security, networking, cloud, content management and end-point computing, and is likely to trigger further consolidation in these areas.

Throughout 2015, the IPO market was down significantly in deal volume when compared to figures from the previous year, noted Mitchell Bloom, national chair of Goodwin Procter's Life Sciences Practice. A number of high-profile IPOs were delayed until 2016, with the hopes that favorable market conditions would create better valuations.

Life sciences IPOs were a bright spot, accounting for just less than half of all 2015 IPOs in New England, said David Westenberg, partner at WilmerHale. The specter of rising interest rates, choppy capital markets, and the ease with which companies are raising capital privately will act as a drag on the public markets in the short term. However, once capital market volatility eases, 2016 should see a steady flow of IPO candidates, as VC and PE firms seek liquidity events, Westenberg said.

Both Massachusetts and Connecticut could very well produce the greatest amount of public offerings within the region during the first half of the year, Bloom noted, with a pack of life sciences and pharma companies patiently waiting for the right moment to launch publicly.

However, Bloom noted that some life sciences and pharma companies have begun to reconsider their plans to go public altogether, which suggests an opportunity for both strategic players and PE firms to find hidden value in two sectors that have seen a great deal of VC investment.

Ageing owners of private companies may be prompted to consider selling their businesses in the first half of 2016. "There's lots of cash, the cost of money is cheap, valuations are somewhat favorable -- and everyone's looking. If you're a seller out there, it's a good time to do a transaction," Ramsier said

330 Hudson Street, FL 4, New York, NY 10013 USA tel: +1 212-686-5606 www.mergermarket.com