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Global M&A levels expected to stay strong in 2016

Healthy balance sheets and strong liquidity in debt markets a positive counter to overall increased uncertainty

The latest edition of KPMG's International Global M&A Predictor expects the world's largest businesses to show an increasing appetite for M&A transactions over the next 12 months. The global appetite to do deals is predicted to rise by an average of 4 percent over the next 12 months, as indicated by predicted forward P/E ratios (our measure of corporate appetite or confidence). The capacity of corporates to fund M&A growth, meanwhile, is expected to rise by 13 percent over the same period, measured by net debt to EBITDA ratios (our measure of capacity), as companies continue to pay down debt and bolster their cash reserves.

This increase in appetite is in spite of the Chinese economy cooling down, the US starting to raise interest rates and oil prices depressing the economies of oil exporting countries.

Capacity to invest continues to climb

Among Singapore-based companies, we see an expected 15 percent increase in the capacity to fund M&A growth.

"Transactional activity is expected to remain relatively strong due to relatively low cost of financing and the hunger for inorganic growth in the current weak economy," said Benjamin Ong, Head of Mergers & Acquisitions and Capital Advisory, KPMG in Singapore.

"Singapore companies have maintained healthy balance sheets and have the capability to finance M&A activity to boost market share and keep up with competition in the increasingly consolidated marketplace."

Analysts are anticipating that the growth in capacity of corporates to undertake M&A transactions is based largely on the paring down of debt over the past few years. Asia Pacific corporations (excluding Japan) exceed the other regions at 19 percent growth in capacity to invest, followed closely by Africa and the Middle East at 18 percent.

The expected growth in capacity to invest for the United States is 16 percent, suggesting that the United States is still on track to match last year's strong performance for M&A. This ties in with the *KPMG U.S. M&A Outlook Survey 2016,* which found that the high level of M&A activity is expected to continue into 2016, driven by record cash balances.

Sector strengths

From a sectorial perspective, we see exceptional growth of investment capacity in Consumer Discretionary and Consumer Staples with expected increases of 155 and 49 percent respectively for Asia Pacific. Globally, Technology is the star performer with an expected increase of 90 percent, as tech companies continue to increase their cash stockpiles.

Notes to editors

About the *Global M&A Predictor*

KPMG's Global M&A Predictor, is a forward-looking tool that helps member firm clients to forecast worldwide trends in mergers and acquisitions. The Predictor looks at the appetite and capacity for M&A deals by tracking and projecting important indicators 12 months forward. The rise or fall of forward P/E (price/earnings) ratios offers a good guide to the overall market confidence, while net debt to EBITDA (earnings before tax, depreciation and amortisation) ratios help gauge the capacity of companies to fund future acquisitions.

The Predictor covers the world by sector and region. It is produced bi-annually, using data comprised from 1,000 of the largest companies in the world by market capitalisation. The financial services and property sectors are excluded from our analysis, as net debt/EBITDA ratios are not considered relevant in these industries. All the raw data within the Predictor is sourced from S&P Capital IQ. Where possible, earnings and EBITDA data is on a pre-exceptionals basis with the exception of Japan, for which GAAP has been used.

About KPMG in Singapore

KPMG in Singapore is part of a global network of professional services firms providing Audit, Tax and Advisory services. Our website is located at kpmg.com.sg.

The KPMG network operates in 155 countries, with 174,000 people working in member firms around the world. In the ASEAN region, member firms operate across all 10 countries of this regional grouping providing professional services supporting the growth, compliance and performance objectives of our clients.

The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

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