

M&A Trends to Watch For in 2018

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Based on our review of the trends evident from 2017's deal environment and what we have seen so far in 2018, we expect M&A in 2018 to be influenced by the following:

- **Valuations**— Interest rates have been low for a long time and asset values reflect this, with the record highs in the U.S. stock markets being one example. With central banks signalling their desire to hike interest rates, there is potential for both increased M&A activity as buyers borrow ahead of rising rates, and tougher deal-making as sellers seek to realize record prices. As a result, the trend toward mega-deals with eye-popping price-tags seems likely to continue.
- **Shareholder Activism**— The trend of shareholders pro-actively pushing for change shows no sign of abating in 2018. Even the current take-over battle for CanniMed (where BLG is acting for the target) is the result, in part, of shareholders willing to sign hard lock-up agreements in order to effect change.
- **Technology Companies**— Technology emerged as a major driver of M&A in 2017. Amazon's purchase of Whole Foods is one example of how technology-based companies can change the dynamics of an industry through M&A. The desire to not be left behind will drive some companies to acquire other businesses for their technology or talent, and see others becoming targets of technology-based giants.
- **Politics**— While stock markets have powered ahead despite uncertainties on the political front, some of these uncertainties are starting to come into focus. For example, the U.S. tax legislation finally went through and its effects on M&A – for buyers and targets alike – is now being assessed. For Canada, the fate of NAFTA remains unclear, but the risk of the U.S. terminating the agreement certainly seems higher now than a year ago, making M&A risks more difficult to quantify. Many other political events could affect M&A generally or in certain industries, from legalization of cannabis in Canada and conflicting regulation in the U.S., elections in Ontario and the U.S., the progress of Brexit, and geopolitical tensions.

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