JONES DAY®

ONE FIRM WORLDWIDE®

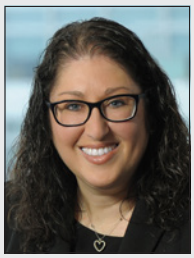
2019 ANNUAL M&A REVIEW

LOOKING BACK, LOOKING AHEAD: PRACTICE LEADER Q&A

We asked our M&A practice leaders to talk about the lessons of 2019 and themes that will define the M&A market for our clients in 2020.

James P. Dougherty

New York
Worldwide M&A
Practice Leader



Randi C. Lesnick

New York
M&A Chair – Americas

Vica Irani

London
M&A Chair – EMEA

Angel Huang

Shanghai, Beijing
M&A Chair – Asia

What defined the global M&A market in 2019?

James Uncertainty was prevalent in corporate boardrooms and the market generally in 2019. With high valuations and a number of geopolitical and international trade factors in play, decision-makers pulled back from the rapid pace of transactions in the last few years, opting for more certainty and less risk. Many of the larger transactions in 2019 were driven by strategic need and utilized equity as currency. Shareholder activism, broadly defined, played a significant role in the M&A environment and corporate boardrooms.

Randi The market was defined by geopolitical, economic, trade, and other regulatory uncertainty; by increased levels of activism; and by high valuations. All of those factors resulted in a slowdown in activity, as businesses worldwide reassessed risk and rethought the rationales for acquisitions, and as private equity, in large measure, deferred to strategic acquirors who were willing to pay for top assets.

Vica Uncertainty was also the defining feature of the M&A market in Europe. A mix of macro factors (such as international trade tensions and Brexit) and country-by-country factors (including elections in the UK and Italy, currency fluctuations, and various forms of FDI regulation) led to difficulties in pricing transactions and an increased focus on potential impediments to closing. As a consequence, deals often took longer to put together and bring to conclusion. At the same time, significant amounts of capital remained "on the sidelines" and available for deployment.

Angel The Chinese market was comparatively conservative, with many investors observing rather than taking action in 2019, due in large part to the current political environment and ongoing trade uncertainty.

How did the deal environment evolve during 2019?

Randi Driven in some cases by activism and in other cases refocusing on a company's core strengths, we saw a number of transactions aimed at focusing and rationalizing businesses—including spin-offs and divestitures, as well as bolt-on strategic acquisitions of technology and talent. Clients are concentrating on what they do best, and are looking for opportunities to expand in those areas—whether moving into new geographies or new service offerings—rather than taking on additional risk associated with acquisitions that are outside of their comfort zone or sweet spot or that otherwise have a higher level of uncertainty.

James Building on the rationalization point, divestitures and spin-offs have made up a large portion of the M&A market recently. We are seeing increasing board leadership and proactive steps taken in this area. In the face of a potentially challenging environment in 2020, we would expect that many companies will continue to strategically review their internal portfolios, identify non-core businesses that may be a drag on earnings, and sell or separate those businesses in order to focus on core competencies.

Vica Many clients were more heavily focused on due diligence—as identifying quality assets grew in importance (and deals for those quality assets remained a major driver of M&A activity). As in the U.S., our European clients saw an increased focus on both ESG issues and on the replacement of noncore businesses and old technology with new technology to augment existing core capabilities.

Angel Investment inbound to China remained high during 2019, with total foreign invested capital reaching a record high. Where inbound investors' priorities used to be greenfield projects or expansion of existing businesses, we saw a more conservative approach, with an increased focus on ensuring robust internal compliance mechanisms in light of increased regulation and enforcement. A substantially lower growth rate and uncertainty due to the relationships between China and other countries meant low levels of outbound Chinese investment and a similarly increased focus on regulatory compliance, in particular with respect to the enhanced CFIUS framework in the U.S.

Which trends and opportunities will characterize the M&A market in 2020?

James The early part of 2020 will likely see continued uncertainty, but by the second quarter, we may get some more clarity on certain issues: U.S.–China trade, Brexit, how the U.S. presidential election might play out. The regulatory environment will continue to play a meaningful role—especially if trade and other geopolitical issues manifest themselves in more exacting reviews by CFIUS, FDI regimes, or antitrust authorities—which could have a significant chilling effect on the M&A market.

Vica Financing conditions are relatively benign, with a lot of capital and liquidity in the market, so we expect that once some of the macro issues, whether political or trade-related, are resolved, then there should be a quite good environment for doing deals. For example, I would expect an uptick in Chinese investment into countries such as Italy.

Angel China will be implementing a new foreign investment law in early 2020, similar to the U.S.'s CFIUS, that will open more sectors to foreign investors but will also include national security review of foreign investments in sensitive technologies and sectors. Overall, however, we anticipate that the new law will lead to another wave of investment into China for the targeted sectors, including the auto industry and biotech. And when the trade issues between China and the U.S. are resolved, and in particular once CFIUS regulations are issued, we anticipate that the increased certainty will mean a resumption of investment from China into the U.S. and other jurisdictions.

Randi There is an enormous amount of dry powder in the private equity space. We expect private equity to deploy more capital, especially if valuations come down due to recession or other factors. We could quickly see the pendulum swing from strategic acquirors driving the market to private equity leading the charge, and that may help to put a floor under valuations even in the context of a stock market slowdown. We may also see increased activism, especially if there's a lull in the M&A market overall, and potentially even an increase in hostile transactions. Many companies may choose to do stock-for-stock deals, especially in the context of merger-of-equal transactions. If robust credit markets and very active capital markets continue into 2020, resources will be available to get transactions done that make sense.

? Which sectors and geographies will lead the way for M&A in 2020?

James Given the manufacturing resurgence in the U.S. and relatively tepid GDP growth, it would not be surprising to see industrials have a strong transactional year. One interesting trend that may continue is an uptick in deals that are driven both by a desire to expand shareholder returns but also to address ESG issues. For example, natural resources producers and industrials are seeking opportunities to become more "green" by acquiring technologies that facilitate more efficient and more environmentally friendly operations. The U.S. should continue to drive the global M&A market even with the somewhat tightened regulatory environment.

Randi We would expect to to see sustained opportunities in life sciences and technology, where good assets will continue to attract interest. In retail, which is experiencing a downturn, there will still be activity, although perhaps a higher proportion of distressed transactions. We anticipate that the trend of industrial companies acquiring technology to enhance offerings—for example, automotive companies acquiring or entering into joint ventures with technology companies around autonomous vehicles—will continue or accelerate.

Angel In China, biotech, pharmaceutical, and health should continue to show strength. Also, automotive should see a boost under the new FDI law. Commodities may continue to be active, particularly if the broader global economy's expansion runs through 2020. And energy and infrastructure, which are policy-driven, should continue to be a driving force.

Vica Technology, particularly in places like France, will continue to be a dynamic sector, along with biotech. Real estate, in certain markets, and energy, especially in light of Italy's upcoming liberalization of its retail gas and electricity industry, should continue to be active.

CORPORATE GOVERNANCE

Trends in 2019

Board composition issues, particularly with respect to diversity, tenure, and independent leadership, remained front and center for companies, their boards, and investors in 2019. In addition, leading institutions and thought leaders began calling for fundamental changes to a corporation's purpose—shifting away from a shareholder primacy standard.

Board Composition Trends

Diversity. Improving board diversity continues to be a top priority for corporate investors and companies. In 2019, S&P 500 boards made some gains in their diversity goals: women or minority men comprised 59% of incoming directors; two or more women directors sit on 92% of boards; women account for 26% of all directors; minorities comprise 23% of new independent directors (up from 15% in 2016); and among the top 200 S&P 500 boards, 93% have at least one minority director. Notwithstanding these gains, non-minorities continue to dominate corporate boards, representing 81% of all directors in 2019 at top 200 companies.

Institutional investors and proxy advisory firms continue to scrutinize boards that lack women and minorities. As of 2019, Glass Lewis recommends voting against the nominating committee chairs of boards that have no women directors. In 2020, ISS will follow suit, possibly recommending against other directors responsible for the board nomination process.

Board Leadership Split. With a focus on independent board leadership, companies continued to move away from the traditional combined CEO/board chair structure in 2019. Among S&P 500 boards, 53% have now separated those leadership roles (up from 50% in 2018), and over a third have a truly independent chair—one who meets the applicable NYSE or NASDAQ independence standards. Boards that do not have an independent chair often identify a lead or presiding independent director.

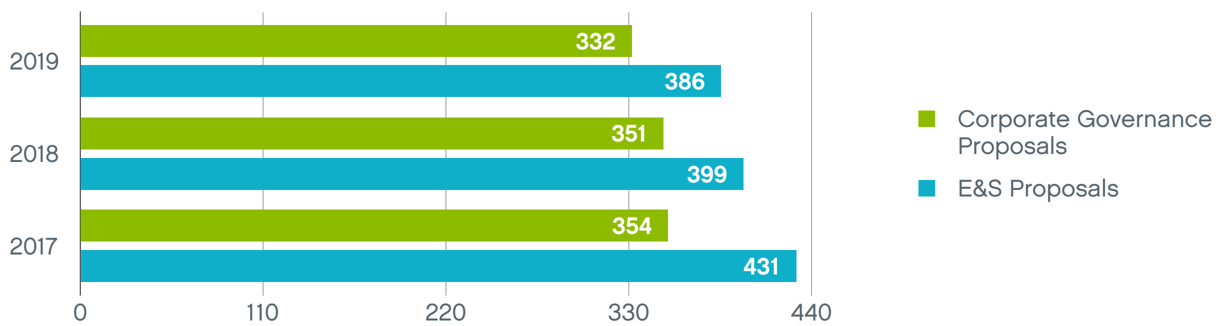
DIVERSITY

59%	92%	26%	23%	93%	81%
WOMEN OR MINORITY MEN COMPRISED 59% OF INCOMING DIRECTORS	TWO OR MORE WOMEN DIRECTORS SIT ON 92% OF BOARDS	WOMEN ACCOUNT FOR 26% OF ALL DIRECTORS	MINORITIES COMPRISE 23% OF NEW INDEPENDENT DIRECTORS	AMONG THE TOP 200 S&P 500 BOARDS, 93% HAVE AT LEAST ONE MINORITY DIRECTOR	NON-MINORITIES CONTINUE TO DOMINATE CORPORATE BOARDS, REPRESENTING 81% OF ALL DIRECTORS IN 2019 AT TOP 200 COMPANIES.

Shareholder Proposals

Environmental and social ("E&S") shareholder proposals, common in recent years, continued to trend downward in 2019, with 386 proposals submitted—96% of the 2018 total and 89% of the 2017 total. Proposals for lobbying and political contributions and climate change were submitted frequently, while environmental proposals decreased from prior years, due at least in part to certain institutional investors engaging directly with companies on environmental issues (rather than expressing their views through voting).

Proposals Submitted



Total corporate governance proposals submitted—332—remained less than E&S proposals. Proposals seeking to require an independent board chair represented more than 70% of the corporate governance proposals that reached a vote, but none of those proposals received majority support.

Corporate Purpose in the Spotlight

2019 saw some leading organizations and thought leaders challenging the fundamental principle in corporate governance—shareholder primacy. Most notably, the Business Roundtable announced its new "Statement on the Purpose of a Corporation," which included a commitment to create value for all stakeholders, not just corporate shareholders. Of the Business Roundtable's 188 CEO members, 181 endorsed this statement.

The Business Roundtable was not the first to challenge the shareholder primacy concept in recent years. Larry Fink, BlackRock's CEO, has frequently urged corporate boards to consider non-economic factors in their decision-making. U.S. Presidential candidate Elizabeth Warren introduced the Accountable Capitalism Act, a bill to create a national corporate governance framework. And, most recently, former Chief Justice of the Delaware Supreme Court, Leo Strine, penned a lengthy paper promoting "fair and sustainable capitalism."

Some states have statutes expressly permitting corporate boards to consider non-shareholder constituencies, but no state expressly requires a board to consider them, and such considerations have not yet gained wide acceptance. It remains to be seen whether corporate boards will increasingly consider these non-shareholder groups in their decision-making.

What to Watch in 2020

Universal Proxy Cards

A universal proxy card lists both incumbent and dissident nominated directors. Long discussed but rarely used, the universal proxy card was first used in a contested director election in the United States in 2018. And 2019 saw the first successful use of a universal proxy card to elect a controlling slate of dissident-nominated directors—at EQT Corporation.

But the EQT proxy contest was unique—a dispute over EQT's nomination requirements resulted in litigation and a public pressure campaign, with EQT eventually relenting and agreeing to use the universal proxy card. As a result, we do not expect universal proxy cards to become the norm, but we do expect more contests—particularly those where a dissident has nominated a majority slate—to take this approach.

SEC Increases Accountability of Proxy Advisory Firms and Revisits Shareholder Proposal Process

In late 2019, the SEC issued a number of interpretations, proposed rule amendments, and legal bulletins aimed at improving the proxy process, a welcome first step in containing the outsized influence of certain third parties.

For years, proxy advisory firms—such as ISS and Glass Lewis—have disproportionately influenced the shareholder voting process. A number of institutional investors "robo-vote" on the basis of a proxy advisory firm's recommendations, without having adequate time to analyze these recommendations. In August 2019, the SEC published two interpretive releases relating to proxy voting matters. The first clarifies the responsibilities of investment advisors with respect to proxy voting and the employment of proxy advisory firms. The second addresses the application of the proxy rules to proxy voting advice given by those firms. While not a "new regulatory regime," the net effect of the interpretations is to place proxy advisory firms on notice that the accuracy and reliability of their reports is paramount and to leverage investment advisors to drive accountability of proxy advisory firms.

In November 2019, the SEC announced proposed amendments to the eligibility requirements to submit a shareholder proposal, the one-proposal limit, and the resubmission thresholds set forth in Rule 14a-8 under the Exchange Act. In addition, the SEC proposed amendments to ensure that proxy voting advisor businesses, such as ISS and Glass Lewis, offer their clients the information needed to make fully informed decisions and to clarify the potential implications of certain anti-fraud rules in the context of the proxy voting advisor business.

Finally, the SEC continued to revamp its process for addressing no-action requests under Rule 14a-8. In prior years, the SEC provided a written response to every no-action request, but the SEC may now offer oral guidance on a request or decline to state a view altogether.

2019 Activism Highlights

Overall shareholder activism pulled back in 2019 from its record highs of 2018. The number of companies targeted in 2019 dropped by about 15%, with year-over-year assets under management by activist-focused funds dropping as well. Attacks on public-company boards also declined, with activists gaining close to 100 board positions at companies with market caps over $500 million in 2019, a 33% decrease from 2018.

Importantly, most board seats were obtained outside of a proxy contest—despite a record 16 "long-slate" campaigns in 2019, a significant increase from the 10 in 2018. In 2019, activists succeeded in only five of 21 proxy contests that went to a vote, obtaining 15 board seats as a result.

M&A activity was the primary objective in more than 45% of activist campaigns, a significant 30% increase from a year ago. While traditional M&A objectives have increased—i.e., pushing for a sale of the company or spinning off or selling a division—we have also seen a significant increase in announced M&A transactions being challenged by activist investors, often with mixed success. Some of the biggest, splashiest deals of 2019 were the target of notable failed campaigns, proving that no deal is safe from these types of agitations.

Activists continued to expand their campaigns outside the United States in 2019, often with mixed results. Approximately 40% of campaigns targeted non-U.S. companies, in line with past years. 2019 saw an increase in activism in central Europe, moving away from the UK-based companies toward Germany, Switzerland, and France. We expect elevated levels of activity outside the United States to continue over the foreseeable future, as the larger activist funds seek additional opportunities to deploy significant amounts of capital. While activism in the United States is expected to remain robust, there is a feeling that the U.S. market may hit a saturation point, and funds will look to deploy assets elsewhere.

Index funds and traditionally long-term investors continue to become more engaged with target companies. In recent years, some passive funds have used activist tactics to pursue change, but these instances remain rare. Instead, passive funds have become increasingly likely to engage with the board and management on an ongoing basis and are more likely to support activist campaigns if the response they receive is unsatisfactory.

Companies that are in meaningful dialogue with their largest shareholders (both passive and active) about their strategic plans will be in the best position to address an activist campaign should one arise. The demands on public-company management teams and their directors are increasing, particularly with respect to environmental, social, and governance-related matters. However, those companies that devote the necessary resources to advance preparation for an activist campaign will be best positioned to garner shareholder support in an actual contest.

"They're not only great advocates for their client's interests, but great thought partners to have when trying to solve a deal issue."

Chambers USA 2019

"Client service is clearly a priority. They work hard to achieve our objectives."

Chambers Europe 2019

"The team's greatest strength is their commercial acumen; they think through the most effective and commercial method to achieve the desired outcome without compromising on legal standards."

Chambers Asia-Pacific 2019

"If we are under a time crunch, I know that they will have enough attorneys to keep the deal staffed appropriately to get it done. They also have expertise in so many areas that we have never had an issue arise where they didn't have someone who could assist."

Chambers USA 2019

2019 M&A BY THE NUMBERS

TOTAL NUMBER OF TRANSACTIONS* INVOLVING JONES DAY: **570+**

* Transactions announced or signed in 2019.

DEAL COUNT BY VALUE

35+ > $1 BILLION

165+ > $100 MILLION < $1 BILLION

CROSS-BORDER DEAL COUNT

235+ MULTIJURISDICTIONAL DEALS

60+ COUNTRIES

KEY SECTORS


CHEMICALS


CONSUMER PRODUCTS AND RETAIL


ENERGY AND UTILITIES

FINANCIALS


INDUSTRIALS


LIFE SCIENCES AND HEALTH CARE

REAL ESTATE


TECHNOLOGY

HIGHLIGHTED 2019 CLIENT REPRESENTATIONS

From transformative acquisitions to spin-offs and divestitures, clients turned to Jones Day for some of their most significant and complex transactions in 2019.

In a year defined by uncertainty, Jones Day had the privilege of helping clients navigate challenges and opportunities around the globe. The following pages highlight M&A engagements across a range of sectors—from electric vehicles and semiconductors to chemicals and steel—as our clients strategically focused on their core strengths or acquired pivotal new technologies.

ENGIE

Jones Day advised ENGIE in the $8.6 billion acquisition and corresponding financing of 90% of Transportadora Associada de Gás (TAG) from Brazilian state oil company Petróleo Brasileiro (Petrobras).

The largest natural gas transmission company in Brazil, TAG owns 4,500 kilometers of pipelines across 10 states in Brazil's southeastern, northeastern, and northern regions.

The sale of TAG represents the largest cash acquisition, privatization, leveraged buy-out, and acquisition financing to date in Brazil, as well as the largest Latin America M&A deal in 2019.

Following a multistage competitive bidding process, a consortium composed of ENGIE and Caisse de dépôt et placement du Québec made the winning offer for the 90% equity stake in TAG. Petrobras will initially maintain a 10% equity stake.

MARATHON PETROLEUM

Jones Day advised Marathon Petroleum Corporation in the combination of its two master limited partnerships, MPLX and Andeavor Logistics LP (ANDX). MPLX acquired ANDX in a transaction valued at $9 billion.

MPLX owns and operates midstream energy infrastructure and logistics assets, and provides fuels distribution services. The combination expanded its presence in key U.S. supply basins.

In 2018, Jones Day advised Marathon in its $23 billion acquisition of Andeavor.

FLINT HILLS RESOURCES

Jones Day advised Flint Hills Resources in the acquisition by Motiva Enterprises of a 100% ownership interest in Flint Hills Resources Port Arthur. Based in Wichita, Kansas, Flint Hills Resources is a subsidiary of Koch Industries.

PTT EXPLORATION AND PRODUCTION

Jones Day advised PTT Exploration and Production Public Company Limited (PTTEP) in connection with the more than $2 billion acquisition of Murphy Oil's assets in Malaysia.

PTTEP, a publicly listed petroleum exploration and production company based in Thailand, has recently focused on expanding its investment in Southeast Asia. The acquisition includes five oil and gas projects offshore of the Malaysian states of Sarawak and Sabah, and provides an opportunity for PTTEP to enhance its deep-water operating capability.

The transaction is reported to be the largest upstream transaction in Southeast Asia in the past five years, and Malaysia's largest-ever upstream transaction.

THE STARS GROUP

Jones Day is advising The Stars Group Inc. (TSG) in its acquisition by Flutter Entertainment plc. The all-share combination, pursuant to a Canadian plan of arrangement, will create the world's largest online gaming company by revenue. The terms of the transaction value TSG at approximately $6 billion and the combined company at more than $14 billion. Flutter shareholders will own 54.6% and TSG shareholders will own 45.4% of the share capital in the combined group.

Canada-based TSG owns several online and mobile gaming businesses, including PokerStars, the world's largest poker site. London-listed Flutter owns FanDuel, among other popular brands. The combined company will have a strong focus on the U.S. market, where several states have recently legalized sports betting.

As part of the deal, FOX Sports will have the right to buy 18% of FanDuel at its market value in 2021, and Flutter's other U.S. partners will receive equity in FOX Bet.

Earlier in 2019, TSG completed a $236 million deal with FOX Sports to launch FOX Bet, the first-of-its-kind national media and sports betting partnership in the United States. Jones Day also advised TSG in that transaction.

COUNTRY SPOTLIGHT: THE NETHERLANDS

Jones Day launched its Amsterdam Office in 2013, with only two lawyers. Now, with nearly 50 lawyers, the Amsterdam Office provides a wide range of legal services to both international corporates and Dutch clients. The Netherlands' open economy and strong international trade relationships make it a gateway for European business.

After a relatively slow start, M&A activity in the Netherlands was strong in 2019. Despite a challenging macro-economic environment and economic slowdown, the 2020 M&A outlook is positive, and M&A activity should keep pace with 2019. Technology transactions and growth acquisitions are among the driving factors. Low interest rates and the availability of dry powder continue to boost M&A activity.

In 2019, our Amsterdam M&A team advised on cross-border deals in the chemical and materials, property, financial services, consumer, and technology sectors, including the following representative transactions.

Jones Day advised **AURELIUS Equity Opportunities SE & Co. KGaA** on the full-shop auction sale of the SOLIDUS SOLUTIONS Holding B.V. group to funds advised by Centerbridge Partners, LP. One of Europe's leading producers of sustainable packaging, SOLIDUS SOLUTIONS produces and sells solid board packaging solutions in the Netherlands, Belgium, France, Germany, Spain, Portugal, and the United Kingdom.

Jones Day advised **DAS Holding** in the acquisition of the Nationale-Nederlanden (NN) insurance portfolio from Stichting Schaderegelingskantoor voor Rechtsbijstandverzekering (SRK) which included 80% of the business of SRK. The transaction was preceded by the split-off of two small portfolios to management and Aegon Schadeverzerking N.V. As part of the transaction DAS has assumed the management of SRK Foundation.

Jones Day advised **Garmin Ltd.** in its acquisition of the Tacx group, a Dutch family business that designs and manufactures high-end indoor bike trainers, tools, and accessories, as well as indoor training software and applications. Garmin makes a range of hand-held, wearable, portable, and fixed-mount GPS-enabled products and other navigation, communications, sensor-based, and information products.

Jones Day advised **Gimv** in its acquisition of a majority shareholding in fast-growing Coolworld Rentals, a full-service renter of cooling and heating equipment. Gimv became a majority shareholder, alongside the founders and management. Active in Benelux, France, and DACH countries, Gimv invests in private companies in four key areas: connected consumer, health & care, smart industries, and sustainable cities.

Jones Day advised **HighBrook Income Property Fund**, an affiliate of HighBrook Investors, on the sale of a 100% interest in the Groot Handelsgebouwen, the largest multi-tenant property in the Netherlands, to Jamestown, an Atlanta (GA) based real-estate investment and management company.

Jones Day advised **PETRONAS Chemicals Group Berhad** in its acquisition of a 100% stake in Da Vinci Group B.V. from its shareholders, including funds managed by Bencis Capital Partners B.V. Headquartered in the Netherlands, Da Vinci Group operates globally in own-brand reselling, formulating, and manufacturing of silicones, lube oil additives, and chemicals.

NVIDIA

Jones Day is advising NVIDIA Corporation in its $6.9 billion acquisition of Mellanox Technologies, Ltd., an Israeli chip designer and supplier of computer networking products.

NVIDIA specializes in products and platforms for the gaming, professional visualization, data center, and automotive markets. With the addition of Mellanox's networking platform, NVIDIA expects to optimize its data center business. More than half of the world's fastest supercomputers use Mellanox's InfiniBand® interconnect technology and high-speed Ethernet products.

The transaction is expected to close in 2020, subject to regulatory approvals and other customary closing conditions.

RIVIAN

Jones Day advised Global Oryx Company Limited and Rivian Automotive Inc. in connection with investments totaling $2.85 billion in 2019. These include a $1.3 billion investment round closed in December, along with investments of $700 million led by Amazon, $500 million from Ford Motor Company, and $350 million from Cox Automotive earlier in the year.

Jones Day has advised Rivian, an electric adventure vehicle maker, since its formation. Rivian plans to deliver its first vehicles—the all-electric R1T pickup and R1S SUV—in late 2020.

SUMITOMO DAINIPPON PHARMA

Jones Day advised Sumitomo Dainippon Pharma Co., Ltd. in an acquisition of late-stage biopharma companies and formation of alliance with Roivant Sciences Ltd. worth $3 billion.

Sumitomo acquired Roivant's interest in five biopharmaceutical companies, including publicly traded Myovant Sciences and Urovant Sciences, focused on women's health and urology, respectively; Enzyvant Sciences and Altavant Sciences, focused on the rare disease category; and Spirovant Sciences, focused on gene therapies for cystic fibrosis. Sumitomo also acquired options to buy Roivant's ownership interest in up to six additional companies by 2024.

Sumitomo Dainippon Pharma is one of the top 10 listed pharmaceutical companies in Japan, with operations in Japan, the United States, China, and the European Union. Roivant builds entrepreneurial biotech and health care companies, using technology to drive greater efficiency in research and development and commercialization.

SECTOR SPOTLIGHT: LIFE SCIENCES

In 2019, global life sciences industry participants committed significant capital to M&A deals to shore up pipelines and strengthen core competencies. Compared to 2018, aggregate deal value for 2019 increased by a massive 60% despite a 12% decline in number of transactions. The activity at the high end of the market reflects the continued laser focus by the industry on deals meant to ensure long-term success. Life sciences companies accelerated their trend to acquire and collaborate with technologies and technology companies to more efficiently build their platforms and improve patient outcomes. This included seeking to improve R&D efficiencies by using big data and predictive analytics, as well as improving patient compliance through monitoring software and technology.

But industry prognosticators have pointed to potential headwinds for life sciences M&A in 2020. An increased focus by antitrust enforcers, market uncertainty in an election year, public pressure to reduce drug and device prices, and current high deal valuations add risk to dealmaking in the new decade. With large, transformative acquisitions in the $60–90 billion range defining 2018 and 2019, 2020 may bring portfolio reshuffling in response to coming pricing controls, strategic acquisitions focused on core therapies or specialties, and high divestiture activity as acquirors of large portfolios seek to streamline their operations. Nevertheless, the level of capital available for deals remains high, with private equity firms holding approximately $2.4 trillion, and U.S. corporations with access to about $2.2 trillion in cash. Thus, despite a slow-down in the fourth quarter of 2019, trends that developed over the course of 2019 should continue to foster a robust life sciences deal market in 2020.

Pursuit of Pipeline. Acquirors in 2019 continued long-term strategies of acquiring new product lines to offset the loss of patent exclusivity and engaging in collaborative deals meant to create overall mass and market efficiencies.

Sector Spotlight continued on next page

SECTOR SPOTLIGHT: LIFE SCIENCES CONT.

Hundreds of drugs lose patent exclusivity each year (503 in the first half of 2019 alone), and industry participants must constantly account for this loss. Given the cost, difficulty, and risk associated with developing products from the pre-clinical stage to commercialization, the acquisition of new product lines has become a necessity. For example, Jones Day advised Sumitomo Dainippon Pharma Co., Ltd. in its transaction with Roivant Sciences (see page 20). For a payment of $3 billion, Sumitomo acquired an 11% interest in Roivant, five of Roivant's biopharmaceutical companies, and Roivant's proprietary technology platforms. In addition, Sumitomo has options to acquire Roivant's ownership interests in up to six additional companies by 2024. These 11 Vants collectively have more than 25 innovative clinical programs, with multiple potential product launches expected from 2020 to 2022. The strategy driving the transaction is Sumitomo's pending loss of exclusivity relating to its bipolar depression drug Latuda®. With many more drugs set to lose exclusivity in 2020, expect this trend to continue.

Pursuit of Scale and Consolidation. Another developing trend is the dual pursuit of scale and consolidation, with companies aiming to acquire the scale necessary for long-term success but also focusing this build-up by divesting non-core assets.

There were more megadeals in the first three quarters of 2019 than in all of 2018. The trend has been most apparent in the biotech sector, as large biotech companies seek to increase their scale and bolster pipelines. This trend is not confined to top-of-market deals, though, as companies have also used mid-market deals to increase scale.

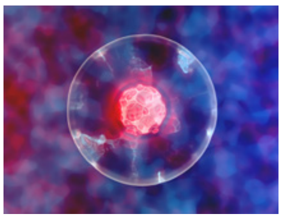
As industry participants strive to become market leaders, they have increased divestment of non-core assets to reinvest in areas where they have strategic advantages. In 2019, several divestitures were also necessary for regulatory purposes, for example to address concerns by the Federal Trade Commission that a merged entity would having two leading drugs in a particular category.

Convergence of Life Sciences and Technology. The future of life science organizations has become intertwined with health insurers, providers, and information technology companies in unprecedented ways. Big data is disrupting the traditional research and development model, which focused on science alone, by collecting and analyzing patient data to better predict patient outcomes. Recognizing big data's value has led life sciences industry participants to acquire new technical capabilities and to create partnerships with payers and hospital systems to use big data for a variety of purposes, including discovering new treatments and reducing costs. Larger medical device companies seek to build their own technology capabilities or look to acquire companies that have developed complementary technologies. The convergence of life sciences and the technology that surrounds them should continue to drive transactions and collaborations for several years to come.

With patient data gathered and monitored in real time via wearable devices, and clinicians now able to use comparative patient data to make decisions on a day-to-day basis, the influence of big data will only grow stronger.

The following representative transactions reflect these trends as well as Jones Day's broad range of experience across the life sciences industry.

Jones Day advised **AbbVie Inc.** in its acquisition of Mavupharma Inc., a privately held biopharmaceutical company focused on novel approaches to target the STING (STimulator of INterferon Genes) pathway for the treatment of cancer. The acquisition enhances AbbVie's early-stage oncology pipeline.

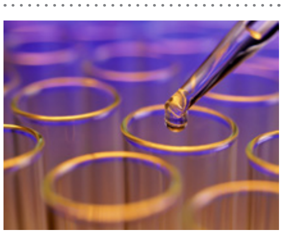


Jones Day advised **Arsenal Capital Partners** on major investments in HistoGeneX and Caprion Biosciences Inc. and the subsequent combination of the two businesses. The new partnership creates a global leader in immune monitoring, protein characterization, and tissue pathology solutions for immunotherapy and drug development.

Jones Day advised **ENDOCONTROL SA**, and its main shareholders, Seventure Partners and ACG Management, in its sale to Canady Life Sciences, Inc., a U.S. life sciences company. France-based ENDOCONTROL specializes in robotic-assisted solutions for mini-invasive and laparoscopic surgery.

Jones Day advised **GE Healthcare** in its collaboration with Preventice Solutions, Inc. to develop an ambulatory cardiac arrhythmia monitoring suite for diagnostic purposes outside of hospitals or clinics. Preventice Solutions develops mobile health solutions and remote monitoring services that connect patients with cardiac arrhythmias.

Jones Day advised NASDAQ-listed **Misonix, Inc.** in its all-stock acquisition of Solsys Medical, LLC, a privately held regenerative medical company. Solsys markets an advanced wound care product to treat difficult-to-heal chronic wounds. Misonix makes ultrasonic medical devices used in a growing number of medical procedures, including spine surgery, neurosurgery, orthopedic surgery, and other surgical and medical applications. Misonix used publicly registered shares to acquire Solsys in a tax-efficient transaction that resulted in each of Misonix and Solsys becoming subsidiaries of a new publicly traded holding company. Former shareholders of Misonix now own approximately 64% of the new holding company, and former unitholders of Solsys now own approximately 36%.



Jones Day advised **Royalty Pharma** in its acquisition of the royalty interest held by Arteaus Therapeutics, LLC on future global net sales of Eli Lilly's Emgality®. Royalty Pharma, an industry leader in acquiring pharmaceutical royalties, invests in marketed and late-stage biopharmaceutical products. Emgality® is an anti-CGRP antibody for the prevention of migraine.

KKR

Jones Day advised Kohlberg Kravis Roberts & Co. in connection with its investment in OneStream Software, a leading provider of cloud or on-premise corporate performance management solutions for mid-sized to large enterprises, in a transaction that values the privately held company at more than $1 billion.

SIGNATURE AVIATION

Jones Day advised Signature Aviation plc (formerly known as BBA Aviation) in the $1.4 billion sale of its Ontic business to an investment fund affiliated with CVC Capital Partners. Ontic is a leading provider of high-quality, OEM-licensed parts for legacy aerospace platforms, operating from locations in the United States, United Kingdom, and Singapore.

COUNTRY SPOTLIGHT: AUSTRALIA

Jones Day has advised clients on Australian law since 2006, beginning with nine lawyers in Sydney. The Australian practice has since grown to 98 lawyers—adding offices in Brisbane, Melbourne, and Perth. The team includes 26 lawyers who focus on transactional work, ranging from private and listed company acquisitions, disposals, and Australia inbound fund investments to capital raisings and complex ventures.

In recent years, corporate governance and disclosure issues have become more prevalent for boards in Australia, particularly as shareholder class actions for breach of Australia's continuous disclosure rules have become a significant risk for ASX listed companies. This year, leading Australian superannuation (pension) funds played a decisive role in some of the largest public M&A deals in the Australian market, particularly alongside private equity funds. We expect this trend to continue, along with shareholder activism, another feature of the recent Australian M&A landscape. And, as with other jurisdictions, foreign investment has become a highly sensitive issue in Australia.

The following transactions represent the experience and dedication to client service of Jones Day's M&A Practice in Australia.

Jones Day advised international sugar producer **Almoiz Industries Limited** in its acquisition of up to a 54% interest in Isis Central Sugar Mill (ICSM) via a scheme of arrangement and a two-tranche subscription for shares in ICSM. Located in Queensland, Australia, ICSM produces raw sugar, molasses, and electricity.

Jones Day advised ASX-listed property group **Centuria** in several transactions, including the acquisition of a 50% voting interest and 63% economic interest in Heathley Limited's property funds management platform; Centuria Industrial REIT in its response to a A$755 million unsuccessful takeover proposal by Propertylink Group; and Centuria Capital in the takeover offer for its 19.5% interest in Propertylink Group from ESR Real Estate (Australia).

Jones Day advised **Horizon Global Corporation** in the sale of its Australian and Asia-Pacific division to Pacific Equity Partners, an Australian private equity firm. With operations in 15 countries, Michigan-based Horizon Global is one of the world's leading manufacturers of branded towing and trailering equipment.

Jones Day advised **KPMG Australia** in the acquisition of Ferrier Hodgson, one of Australia's leading independent restructuring, turnaround, and insolvency firms. This involved the acquisition of Ferrier Hodgson's businesses in Sydney, Melbourne, Brisbane, and Perth, creating one of Australia's largest restructuring services and forensic advisory businesses.

Jones Day represented **Sasser Family Holdings, Inc.** (SFH) in the sale of CF Asia Pacific to a company controlled by one or more entities managed or advised by Anchorage Capital Partners. CF Asia Pacific provides tailored transportation solutions, including locomotive and rolling stock, maintenance, and repair for Australia's rail operators and shippers. SFH is a family-owned transportation asset services and management company.

Jones Day advised building products manufacturer **USG Corporation** on its Asian and Australasian plasterboard and ceilings joint venture with Boral Limited, including in relation to issues arising in connection with Gebr. Knauf KG's recent takeover of USG.

PARKER HANNIFIN

Jones Day advised Parker Hannifin Corporation in its $1.7 billion acquisition of Exotic Metals Forming Company LLC. Exotic Metals manufactures innovative, high-temperature, high-pressure air and exhaust management solutions for aircrafts and engines.

A *Fortune* 250 global leader in motion and control technologies, Parker Hannifin is focusing its investments in high-growth businesses, such as aerospace. The acquisition complements Parker's portfolio of flight control, fuel and inerting, hydraulics, fluid conveyance, and engine technologies.

POLYONE

Jones Day is advising PolyOne Corporation in its $1.5 billion purchase of Clariant AG's global color and additive masterbatch business. With 46 manufacturing operations and technology centers in 29 countries, Clariant's color and additive masterbatch business includes specialty technologies and solutions for end markets such as consumer, packaging, and health care.

PolyOne is a premier provider of specialized polymer materials, services, and solutions. The acquisition of Clariant's masterbatch business follows PolyOne's recent divestiture of its Performance Products & Solutions segment to SK Capital Partners for $775 million, transactions that together allow PolyOne to focus on specialty applications. Jones Day advised PolyOne on that divestiture, as well as the acquisition of Fiber-Line, a manufacturer of customized engineered fibers and composite materials, earlier in the year.

NEXT GENERATION FILMS

Jones Day advised NEXT Generation Films in its $1 billion sale to Charter NEX Films, a manufacturer of specialty plastic films.

NEXT Generation also produces specialty films, supplying a variety of markets, including the food packaging, automobile, courier, manufactured housing, and protective packaging segments. The combination will give both companies access to new markets and an expanded manufacturing footprint, with 11 plants across Ohio, Wisconsin, South Carolina, and Massachusetts.

CLEVELAND-CLIFFS

Jones Day is advising Cleveland-Cliffs Inc. in its $1.1 billion all-stock merger with AK Steel Holding Corporation. Upon completion of the transaction, Cliffs shareholders will own approximately 68% and AK Steel shareholders will own approximately 32% of the combined company.

The merger will create a vertically integrated steel company in North America, joining AK Steel's rolled and stainless steel operations with Cliffs' iron ore pellet production. Cliffs is the largest and oldest independent iron ore mining company in the United States.

KM BRS

Jones Day advised KM BRS, LLC, a preferred equity holder of Big River Steel, in a transaction in which United States Steel Corporation became a minority owner of Big River Steel's scrap recycling and steel production company. Under the terms of the agreement, which assumes a $2.325 billion enterprise value, U.S. Steel will hold a 49.9% ownership interest in the world's only LEED-certified steel production facility.

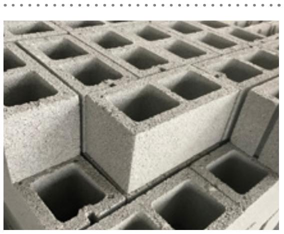
KM BRS is a subsidiary of Koch Minerals.

SPIN-OFFS

As companies focus on their core competencies, spin-offs are expected to make up a significant percentage of M&A activity in 2020. Jones Day has the privilege of advising several of our clients in connection with spin-offs announced in the later months of 2019, including the following transactions.

Jones Day is advising **SunPower Corporation**, one of North America's largest solar-panel makers, in a sponsored spin-off of its solar panel production operations into a new public company, Maxeon Solar Technologies. Maxeon Solar will be headquartered in Singapore, with manufacturing facilities in France, Malaysia, Mexico, and the Philippines. Concurrently with the spin-off, silicon wafer supplier Tianjin Zhonghuan Semiconductor Co., Ltd. will make a capital investment of $298 million into Maxeon Solar. SunPower expects to complete the transactions in the second quarter of 2020, subject to the satisfaction of various closing conditions.

Jones Day is advising **Verint Systems Inc.**, a global leader in Actionable Intelligence® solutions, in connection with its announced plan to separate into two independent, publicly traded companies: one will consist of its customer engagement business, and the other will consist of its cyber intelligence business. Verint expects to complete the separation shortly after the end of its next fiscal year, ending January 31, 2021. Jones Day is also advising Verint in an up-to-$400 million investment by funds advised by Apax Partners, and in a $300 million share repurchase program.



Jones Day is advising **HD Supply Holdings**, **Inc.**, one of the largest industrial distributors in North America, in its demerger. HD Supply will separate its Facilities Maintenance and Construction & Industrial businesses, each of which had over $3 billion in revenues last year, into two independent publicly traded companies, through a tax-free distribution. The transaction is expected to close by the middle of fiscal 2020, subject to customary closing conditions, including final approval by HD Supply's board of directors.

ADDITIONAL 2019 CLIENT REPRESENTATIONS

ASBURY AUTOMOTIVE GROUP

$1 billion
Acquisition of
Park Place Dealerships

NRCG

$966 million
Acquisition by US Ecology

nii

$905 million
Sale of Nextel Brazil to
América Móvil

idea village™

$900 million
Sale of FLAWLESS™ and
FINISHING TOUCH™ brands
to Church & Dwight Co., Inc.

SHISEIDO AMERICAS

$845 million
Acquisition of Drunk Elephant™

OMNOVA SOLUTIONS

$824 million
Acquisition by Synthomer plc

TOTAL

$800 million
Acquisition of Toshiba's interest
in Freeport LNG

ACI UNIVERSAL PAYMENTS

$750 million
Acquisition of Western Union's
Speedpay® bill payment business

Hansteen

£500 million
Takeover offer by
Potter UK Bidco Limited

ROPER

£410 million
Acquisition of Foundry

newell BRANDS

$500 million
Sale of Process Solutions business
to One Rock Capital Partners, LLC

MODERN MEDIA Acquisition corporation

$469 million
Combination with Akazoo Limited

ADDITIONAL 2019 CLIENT REPRESENTATIONS

FERRO

$460 million
Sale of global Tile Coatings Business to Pigments Spain, S.L.

Chevron

$350 million
Acquisition from Petrobras America Inc. of the outstanding shares and equity interests of Pasadena Refining System, Inc. and PRSI Trading LLC

Nutrien Ag Solutions

$340 million
Acquisition of Actagro, LLC

ARSENAL CAPITAL PARTNERS

$328 million
Acquisition of Seal for Life Industries

alven

$300 million
Sale of Drivy to Getaround

AMADEUS FIRE PERSONALDIENSTLEISTUNGEN

€200 million
Acquisition of COMCAVE Holding GmbH

FTD

$209 million
Sale of Interflora UK and Section 363 sales of global florist and consumer business, Personal Creations and Shari's Berries

Hard Rock

$187 million
Acquisition of JACK Cincinnati Casino operating assets

inside secure DRIVING TRUST

$145 million
Acquisition of Verimatrix

AGIC

£115 million
Acquisition of a majority stake in Farsound Limited from Rubicon Partners

Synaptics

$120 million
Sale of Asia-based, mobile LCD TDDI business to Hua Capital

CUMULUS MEDIA

$104 million
Sale of six radio stations to Educational Media Foundation

ADDITIONAL 2019 CLIENT REPRESENTATIONS

P&G

Sale of Fluocaril and Parogencyl oral care brands to Unilever

Acquisition of This is L. Inc.

Conagra Brands

Sale of Direct Store Delivery snacks business to Utz Quality Foods, LLC

TIMKEN

Acquisition of The Diamond Chain Company

HOERBIGER

Acquisition of Deublin Company

BOMBARDIER

Acquisition of Global 7500 aircraft wing program from Triumph Group Inc.

CORSAIR

Acquisition of SCUF® Gaming and its patent portfolio

Five9

Acquisition of Whendu's iPaaS platform

SANOFI

Sales of Genfar's pharma business in Colombia, pharma business in Venezuela, and OTC products in Mexico, Colombia, and Argentina

SAP

Sale of its Content as a Service business to Verisk

sentryo

Acquisition by Cisco

TRWH
Twin River Worldwide Holdings, Inc.

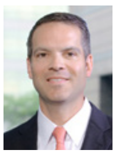
Acquisition of three casino properties from a subsidiary of Affinity Gaming

Milliken

Acquisition of Polartec from Versa Capital Management

LAWYER CONTACTS

For further information regarding our Mergers & Acquisitions Practice, please contact your principal Firm representative or one of the lawyers listed below. General email messages may be sent using our "Contact Us" form at www.jonesday.com/contactus.



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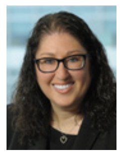

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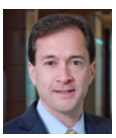

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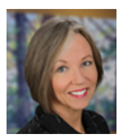

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