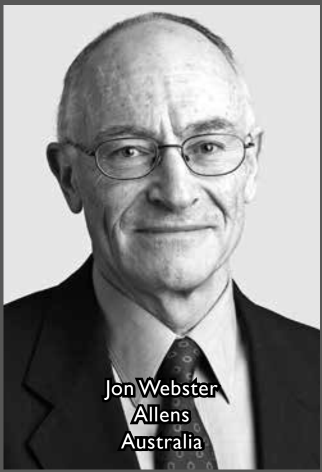

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ROUNDTABLE

Who's Who Legal has brought together four leading practitioners to discuss key issues facing M&A and corporate governance lawyers today.

WWL: Across our research practitioners have noted a buoyant M&A market in 2015. Has this been the case in your jurisdiction, and what sectors have you seen the most activity in?

Javier Canosa: Unfortunately 2015 has not been buoyant in Argentina for the M&A market. On the contrary, 2015 was a "transitional" year; moving from 12 years of rule by the Kirchner family, towards a new economic and political system. The presidential elections dominated the scene throughout the year. After 12 years of Kirchner rule, the fundamental problem of the Argentine economy affecting the M&A market – the general default of Argentina debt to its foreign creditors – could not be sorted out. This disconnection of Argentina from the financial world, which began in 2001 with the default on Argentina's sovereign debt, was worsened by two other factors (among others): rampant inflation since 2009, and exchange controls in place since 2011.

The 2015 elections presented a dilemma: continuity or change. The continuity of the system implemented by the Kirchner family (inflation, exchange controls, fiscal deficit, and total disconnection from the financial world) or change towards a system that would be – in principle – the exact opposite.

After a tight runoff race, the option for change represented by Mr Mauricio Macri, won the presidency on 22 November 2015. Mr Macri took office on 10 December 10, 2015. Mr. Macri imposed a very dynamic agenda. Macri's administration has wasted no time differentiating itself from its predecessor. Since taking office on 10 December 2015, Macri's government has addressed a number of issues to correct economic imbalances and potentially restore international market access.

Fernando de las Cuevas Castresana: During the first semester of 2016, M&A activity was buoyant in Spain in most sectors. I would highlight particularly real estate, energy and pharmaceuticals.

Katrien Vorlat: It was a successful 2015 for Belgian M&A, particularly for private deals. In the second half of 2015 there was significant activity targeting Belgian listed companies, but the proportion remains rather small compared to private deals (5.15 per cent). The vast majority of deals were trade sales amongst industry players. Industrial buyers typically buy growth through acquisitions, which is facilitated by cheap money. Private equity remains a limited phenomenon on the Belgian market (30 per cent). Belgium witnessed a lot of inbound investments from mainly neighboring countries. Transatlantic deals remain an important component on the Belgian M&A market. The targeted sectors were industry and manufacturing, consumer goods, food and retail, and to a lesser extent pharma and life sciences.

Jon Webster: The Australian M&A market saw vigorous activity in 2015, with the total value of deals completed achieving a four-year high. This was chiefly due to the return of large public M&A deals, bolstered by the depreciation of the Australian dollar and the subsequent increase in cross-border activity. While the number of inbound deals decreased, the total value of foreign capital transactions was up almost 50%. Total values swelled across most sectors due to larger deals, indicating a reversal of recent trends. The foremost sectors were energy and utilities which recorded A$25 billion worth of transactions. Also prominent were healthcare, IT and telecommunications, where larger deal values in Australia mirrored global activity trends.

WWL: In 2016 are you expecting to see any changes to these trends, and are there any impending or recent regulatory changes in your jurisdiction which could affect the work you see?

Javier Canosa: It will be a year of correcting the imbalances of the Kirchner government. Resolution of inflation and fiscal deficit will take up at least half of 2016. However, confidence in the Argentine government is slowly but steadily being restored and there are a lot of deals in the pipeline waiting for a more stable economy (basically, resolution of the holdout debt and reduction of the inflation –in January 2016, it was 4 per cent).

Fernando de las Cuevas Castresana: Since July 2016 there has been a slowdown in foreign investment in Spain, partly due to the uncertainty after the elections about the formation of a stable government that will continue to make reforms to improve competitiveness and provide attractive tax rates for investments. Hopefully, if and when a new government is formed investors will recover the appetite.

Katrien Vorlat: It is the general view of deal makers that the increasing trend in M&A will continue in 2016. Belgium will always benefit from the ongoing trend of megadeals. Belgium is a favorite market for acquisitions, due to the low euro-dollar exchange rate, lower valuations and an increase in target-opportunities as more and more family-owned businesses are up for sale due to imminent generation changes. Nevertheless, this positive trend may be hampered by the war on terror, Brexit, US elections, Base Erosion of Profit Sharing (BEPS) and unrest in financial markets. The (inbound) investment climate may decline as a result of the EU's recent position that Belgian Excess Profit Rulings granted in the past, are to be considered as illegal state aid and the Belgian government should reclaim the amounts saved in taxes. In 2016 there will most likely be an upturn of insurance M&A. We expect consolidation of smaller insurers following solvency II implementation.

Jon Webster: The main economic elements at play in 2015 are again envisaged to drive brisk M&A activity this year. We expect to see continued M&A pursuits across the agri-business, energy and infrastructure sectors, while the wave of privatisations of government assets, such as electricity infrastructure in New South Wales and seaports in Victoria and Western Australia, should also provide impetus for M&A exploits in 2016. Australia's entry into various free trade agreements and the Trans-Pacific Partnership may provide the fillip for more foreign investment, and the perception of Australia as a relatively stable economy with low political risk may further incentivise those foreign investors who prefer safe haven investment destinations during volatile periods in global markets.

Australia's foreign investment laws were overhauled in 2015. The increase from 15 to 20 per cent for the threshold beyond which an acquisition of an interest in an Australian entity triggers a requirement to make an application for approval to the Foreign Investment Review Board (FIRB), may have the effect of increasing foreign investment in Australia. However, several changes may have the opposite outcome, such as new application fees ranging from A$5,000 to A$100,000; lower review thresholds of 10 per cent for investments in agri-businesses; and just A$15 million (cumulative) for acquisitions of agricultural land.

WWL: Private equity remains a strong source of finance in the market. Has this been the case in your jurisdiction and do you see this changing as banks continue to regain confidence?

Javier Canosa: Yes, private equity was the primary source of finance in the past decade in Argentina because of the general disconnection of Argentina with the international sources of finance due to the general default of the Argentine debt since 2001. With the imminent resolution of the debt issue, and the imminent return of Argentina to international capital markets it is likely that banks will indeed regain confidence and become more active in Argentina.

Fernando de las Cuevas Castresana: Private equity has had a discrete 2015. We expect more activity in 2016.

Katrien Vorlat: In Belgium private equity experienced a long-awaited revival in 2014. In 2015 there was moderate growth with lesser deals but higher deal values. We will continue to witness some growth, but in Belgium 2016 will certainly be a challenging year. Where traditionally private equity is less prominent on the Belgian market, it will continue to play a role, in particular in offering solutions to the increasing number of family owned companies addressing their succession issues. Moreover, where traditionally private equity players held investments in their portfolio for up to five years, we see onward sales occurring after two to three years as PE houses are structuring their portfolio. The industry is focusing on longer-term holding periods and stronger focus on operational improvements to realise value creation.

Jon Webster: Private equity constituted 8 per cent of Australia's total number of deals in 2015, creeping above the five-year average. However, PE transactions only amounted to 4 per cent of the total deal value, well below the 7 to 10 per cent of recent times. Some of the largest Australian deals of 2015 involved PE bids, such as the acquisition of GE Capital by the KKR, Varde Partners and Deutsche Bank consortium. The recent success in executing large M&A deals should provide further confidence for PE firms to seek involvement in significant Australian deals in 2016. With low interest rates ensuring debt remains cheap and the Australian dollar having depreciated against major currencies, market conditions may well foster an upswing in acquisition activity by PE firms in public M&A in 2016.