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Intralinks® Deal Flow Predictor

Our quarterly prediction of future trends
in the global M&A market

Global M&A activity through Q3 2015

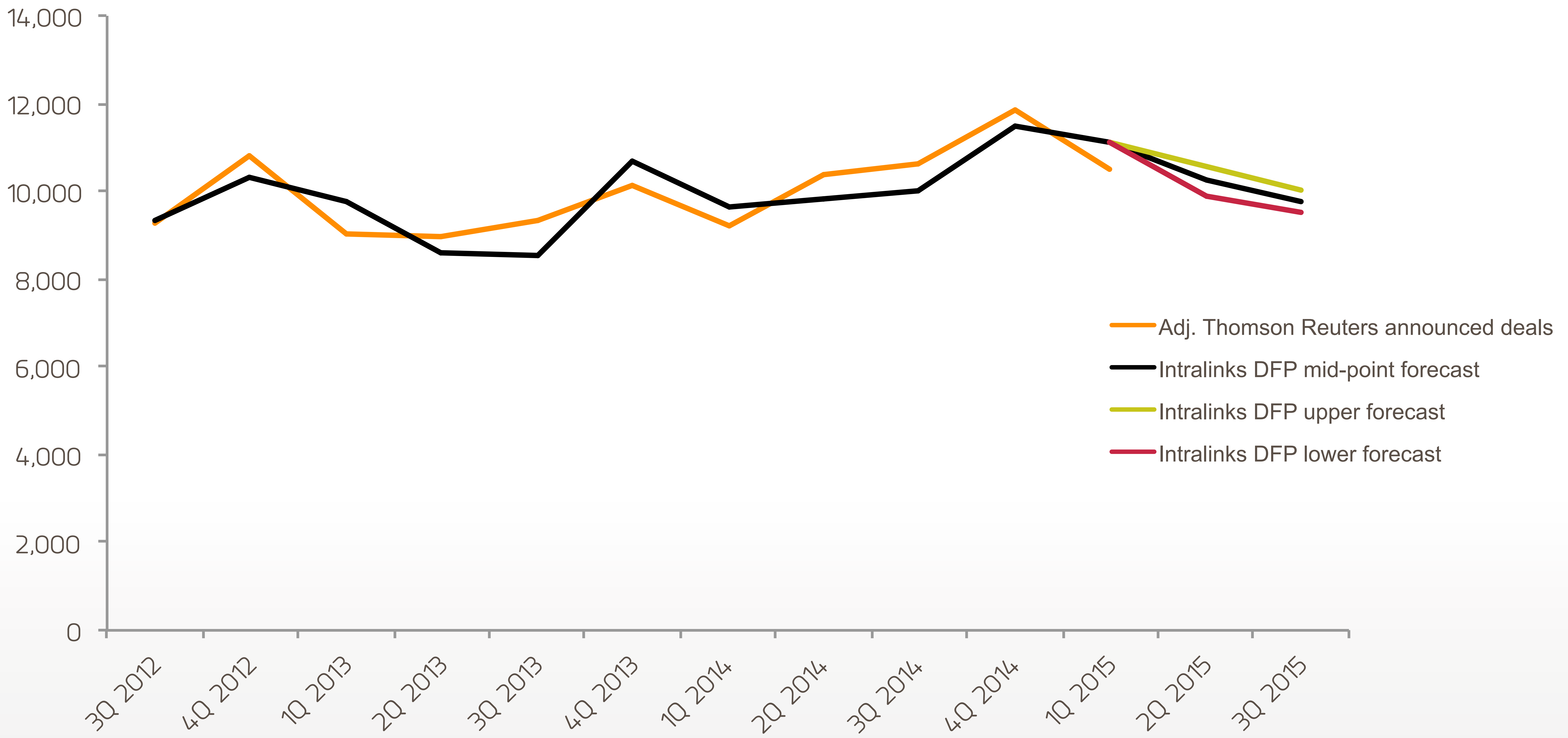
Includes guest commentary from Barclays Managing Director, Ilan Paz

Intralinks Deal Flow Predictor: forecasting global M&A activity through Q3 2015

Welcome to the latest edition of the Intralinks Deal Flow Predictor (DFP) report. The Intralinks DFP forecasts the volume of future mergers and acquisitions (M&A) announcements by tracking early-stage M&A activity — sell-side M&A transactions across the world that are in the preparation stage or have reached the due diligence stage. On average, these deals are six months away from their public announcement.

Intralinks is the leading global provider of Virtual Data Rooms (VDRs) and has been in business for more than 18 years. Our involvement in the early stages of a significant percentage of the world's M&A transactions gives us unique insight into the expected volume of future announced M&A deals.

Predicting deals: Intralinks deal volume forecast versus Thomson Reuters reported volume of announced deals



The Intralinks DFP has been independently verified as an accurate predictor of future changes in the global volume (number) of announced M&A transactions. Quarter-over-quarter (QoQ) percentage changes in the Intralinks DFP are typically reflected (on average) six months later in announced deal volumes, as reported by Thomson Reuters. The Thomson Reuters data on announced deal volumes for the past four quarters has been adjusted by Intralinks for expected subsequent changes in reported announced deal volumes.

Introduction

With a 14.6 percent growth rate in early-stage M&A activity over the last 12 months (LTM), Europe, the Middle East, and Africa (EMEA) continues to lead North America (NA), up 14.0 percent LTM, as the fastest growing region in the world. Early-stage M&A activity in Asia Pacific (APAC) has slowed down to 3.8 percent LTM, with strong levels of activity in Australia and New Zealand (ANZ) and Southeast Asia, offset by weakness in Japan and South Asia. Latin America (LATAM) continues to show weakness, with an LTM decline of -10.5 percent in early-stage M&A activity, making Q1 2015 the third straight quarter that LATAM early-stage M&A activity has declined on an LTM basis. However, on a year-over-year (YoY) and QoQ basis, during Q1 2015, LATAM early-stage M&A activity increased by 3.2 percent and 2.1 percent, respectively, representing the first time early-stage M&A activity in LATAM has increased on a YoY and QoQ basis since Q3 2013 and Q2 2014, respectively: indications that the dealmaking environment in LATAM may be showing signs of a potential recovery.

Matt Porzio
VP of Strategy &
Product Marketing

Our key predictions through Q3 2015:

1. The global volume of announced M&A deals in the first nine months of 2015 will likely be above that for the same period in 2014. The mid-point of our forecast is for 1 percent growth, with a range of -1 to +3 percent.

2. Compared to last quarter, we are seeing a moderation of growth in global early-stage M&A activity and we are revising our mid-point growth forecast for global announced M&A volumes for the first half of 2015 compared to the first half of 2014 to 6 percent, with a range of 4 to 8 percent, on the back of a strong comparison period in the first half of 2014.

3. The U.S. and EMEA are expected to be the main drivers of our growth forecast. According to the International Monetary Fund (IMF), with GDP growth of 3.1 percent, the U.S. economy is forecast to be the fastest growing of the advanced economies in 2015. For M&A markets, weaker economic growth in the Eurozone of 1.5 percent is expected to be partially offset by the European Central Bank's (ECB) quantitative easing (QE) program, which began in early March this year.

4. The APAC region will continue to perform above its 2014 level, with the strongest growth in M&A activity likely to occur in ANZ, Southeast Asia, and South Korea.

5. Weakened global demand for commodities and low oil prices will continue to act as a drag on M&A activity in LATAM.

Overview: strong Q1 performance creates momentum for growth over the next six months

Announced deal volume and value are up significantly in Q1 2015: volume increase predicted accurately by the Intralinks DFP six months ago

The volume and value of global announced M&A deals in Q1 2015 increased by 14 percent and 25 percent YoY, respectively, the best start to the year for dealmaking in Q1 since 2007. The increase in the volume of global announced M&A transactions in Q1 2015 was accurately predicted by the Q3 2014 Intralinks DFP released six months ago, where we forecast a volume increase between 10 and 14 percent.

Expectations for 2015

Based on the current Intralinks DFP, we expect to see a higher volume of M&A deal announcements in the first half of 2015 compared to the same period in 2014, although the level of growth is expected to moderate to a range of 4 to 8 percent YoY. For the first nine months of 2015, we expect growth to be in the region of -1 to +3 percent YoY, on the back of a strong comparison period in 2014.

When we look at early-stage M&A activity on a regional basis, we see some significant variation. EMEA and NA are currently the primary drivers of overall global M&A growth, while APAC continues to perform well across most of the region, with the exception of Japan. Early-stage M&A activity in LATAM continues to be negatively affected by the sharp slowdown in the region's largest economy, Brazil, caused partly by price declines for key exports such as iron ore and oil. Globally, on an industry level, we are seeing the strongest increases in early-stage M&A activity in the Telecommunications, Media & Entertainment (TME), Consumer, Technology, and Manufacturing/Industrial sectors.

The trend of the number of mega deals (deals with a value greater than US$5bn) increasing that we saw in 2014 looks set to continue: There were 28 mega deals announced in Q1 2015, compared to 14 in Q1 2014, an increase of 100 percent. Following the strong performance of global M&A markets in 2014 (the first year since 2010 to see a return to growth for global announced M&A both in terms of deal volume and value), M&A announcements in Q1 2015 have set expectations that 2015, as a whole, will deliver another year of healthy levels of dealmaking (both in terms of volume and value).

EMEA and U.S. continue to support global M&A growth

Buoyant levels of M&A look set to continue in NA, particularly in the U.S. With a fast-growing economy, a favorable interest rate environment, cash-rich buyers, and a strong dollar, we currently predict continuing healthy levels of M&A activity. While the U.S. Federal Reserve has signaled it will start raising rates sooner rather than later, most market analysts expect that any rate increases will be modest and will not be rolled out until June 2015 at the earliest. But, while U.S. entities will continue to benefit from low financing costs and be able to acquire foreign assets relatively cheaply, a surging US dollar may act as an economic drag everywhere else in the world. Companies and governments that once gorged on dollar-denominated debt will likely be hit by the rising costs of debt repayment in local currency terms.

While economic growth across most of Europe is significantly more sluggish than in the U.S., this does not appear to be holding back M&A activity in the region. In fact, EMEA continues to be the region showing the strongest growth in early-stage M&A activity, driven primarily by very strong levels of activity in Germany, France, and Spain.

In the Eurozone, the effects of the ECB's EUR 60bn per month QE program, which began in early March, are expected to be beneficial for M&A, especially in the recovering economies of France, Italy, and Spain. Higher stock market valuations, cheap debt, increased business confidence, and improving regional GDP growth resulting from QE will all foster a favorable M&A environment. Despite the strong performance, some risks remain attached to M&A activity in EMEA. The largest M&A market in Europe, the UK, is weeks away from a general election that will likely conclude with no single party able to form a majority government, thus increasing uncertainty for dealmakers who may choose to slow activity while the future political direction of the country is resolved. Further, the tenability of Greece's debt repayment plan adds further uncertainty within the Eurozone, given Greece's need for constant short-term borrowing.

In Central and Eastern Europe (CEE) and the Middle East, ongoing conflicts and political instability have the potential to force M&A activity into retreat across certain areas within the region. As ceasefires in the Ukraine fail to take hold, a significant downside risk in volatility and uncertainty caused by the actions of a politically and economically ostracized Russia grows. Conflict in Syria and Iraq also shows no sign of diminishing, although these have been contained for now. This instability has the potential to put growth in EMEA M&A activity at risk, although for the time being, we believe that the likelihood of this remains low.

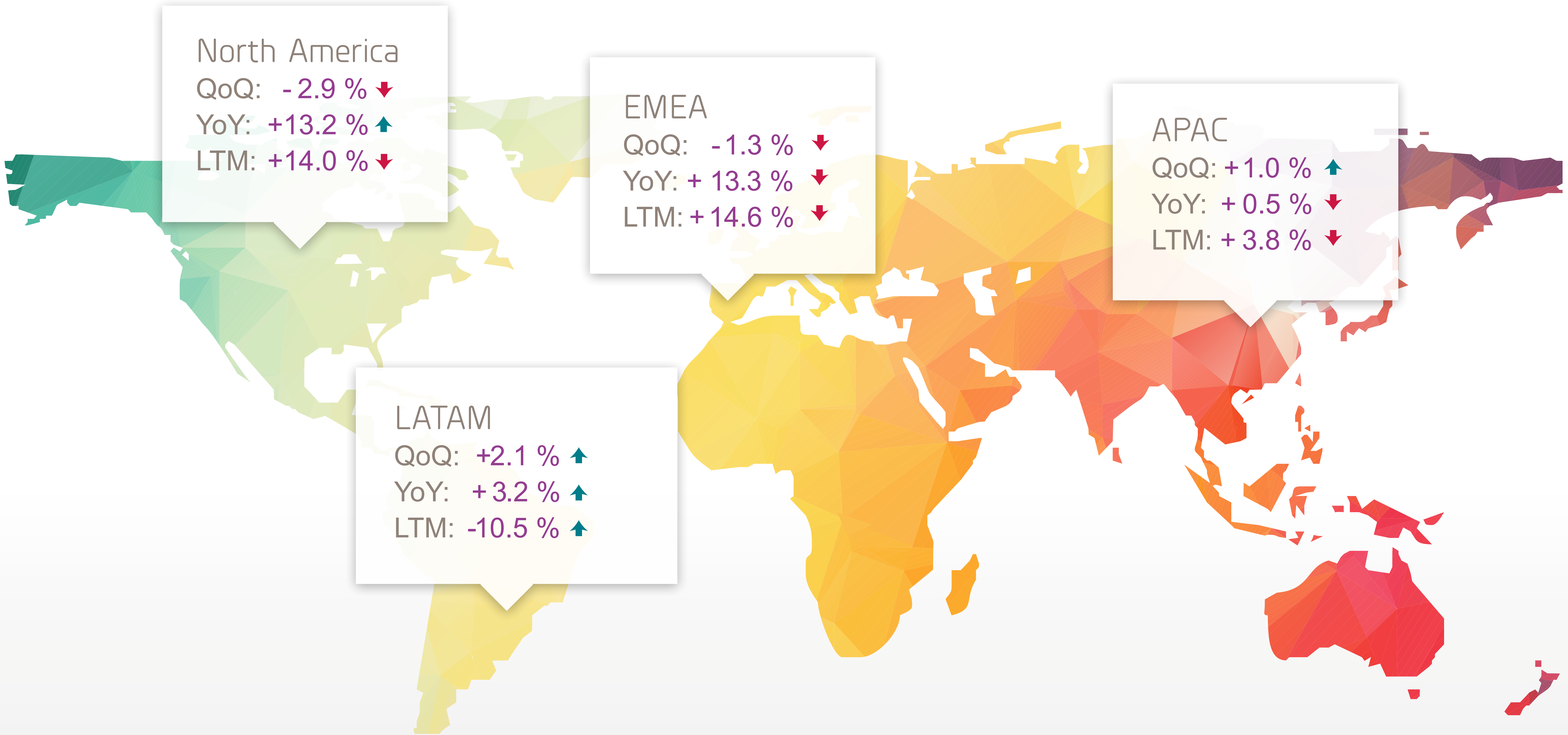
APAC growth to continue, albeit at a slower rate

According to the IMF, APAC is forecast to remain the global growth leader, although the region's growth momentum is moderating. In APAC, companies in both China and Japan have been active outbound M&A acquirers in the recent past, showing significant interest in assets in the U.S., EMEA and other parts of APAC. As deals in the U.S. become more expensive, acquirers who might have looked for deals in the U.S. may shift to other regions – with targets in the Eurozone looking comparatively cheaper. Meanwhile in India, improved business sentiment following the election of Narendra Modi's centrist government last year has led to an uptick in M&A activity in the subcontinent. Domestically, China's government has cut its GDP growth targets to 7%, the lowest goal in 25 years, though it is unlikely that this will have any significant impact on M&A activity in the region. In Japan, Abenomics, the plan of Shinzo Abe, the prime minister, to revive Japan's economy, appears to have run into difficulties: Economic activity disappointed following the mid-2014 consumption tax hike, which caused a sharper than predicted contraction in consumption. Although domestic and inbound Japanese M&A activity is slow, outbound cross-border M&A volumes keep increasing as Japanese companies continue to acquire businesses in foreign markets.

Falling commodity prices hurt LATAM M&A activity

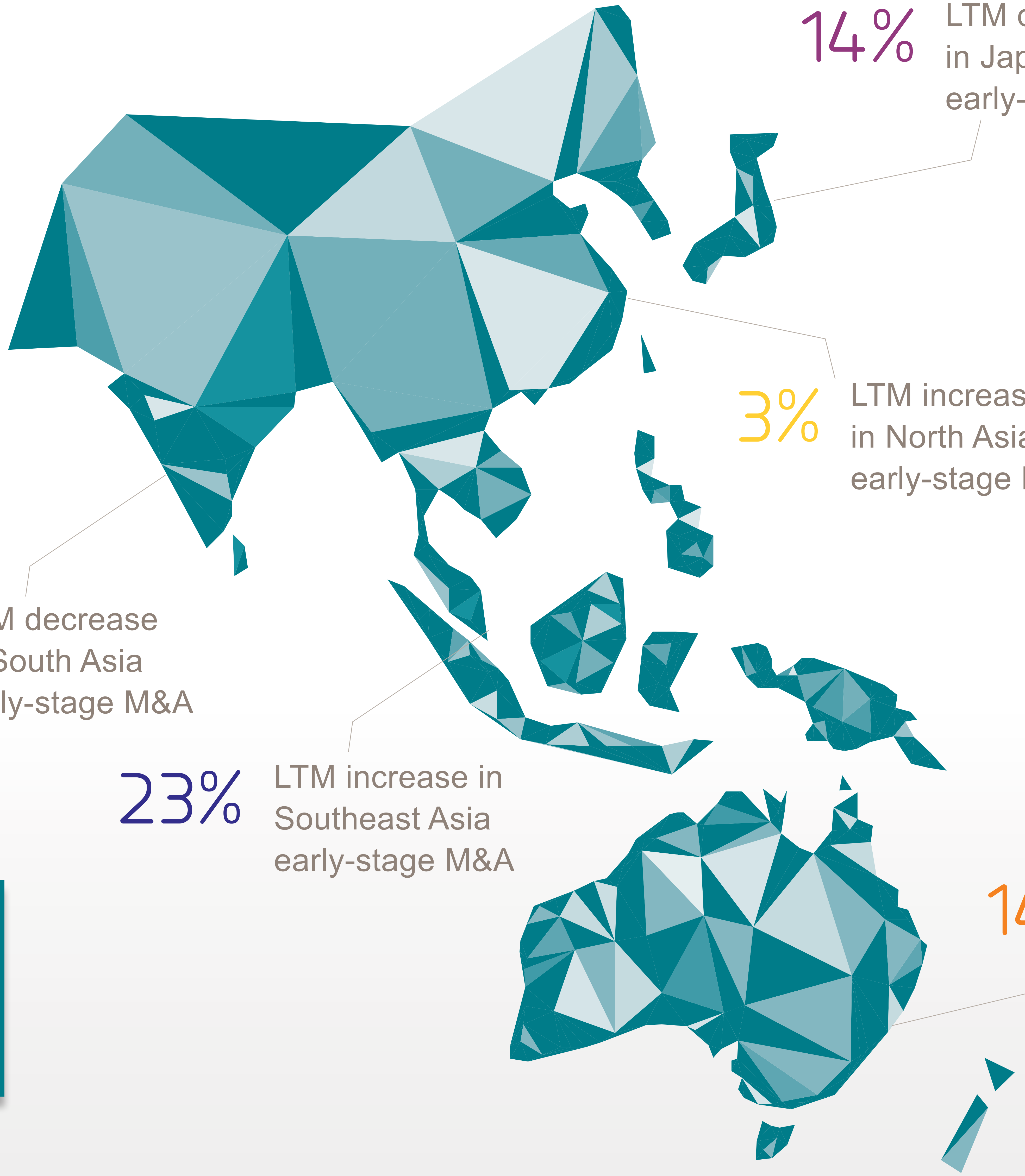
Weak commodity prices, contracting demand, and the appreciating U.S. dollar will continue to hurt LATAM and hamper M&A activity in the region. A sharp reduction in economic growth of the region's largest economy, Brazil, is causing some industries to feel the pain more than others. Many Mining, Oil & Gas and Shipping companies borrowed heavily to expand production in the last commodity boom and are now facing crippling debt repayments and falling revenues. Political instability and scandal in some countries will only serve to compound the growing confidence crisis and further crimp M&A activity. Brazil, in particular, will act as a significant drag on LATAM M&A volumes as the nation navigates its way through the Petrobras scandal and other political disquiet. We expect continuing weakness in M&A activity in LATAM for the time being.

Regional snapshot: early-stage M&A activity across the world[1]



1. The direction of the arrows indicates the change from the previous quarter's figures

Spotlight: APAC



286% LTM increase in APAC High Technology sector deals

Guest comment: the Israeli M&A market

Philip Whitchelo
VP of Strategy & Product Marketing, Intralinks

Ilan Paz
Managing Director,
BARCLAYS

For this issue of the Intralinks DFP, Philip Whitchelo (PW), VP Strategy and Product Marketing at Intralinks, sat down with Ilan Paz (IP), Managing Director at Barclays Israel, to discuss the Israeli M&A market and industry trends.

Ilan Paz holds an MBA from the Wharton Business School and has over 15 years of experience in banking. Prior to joining Barclays in 2008, Ilan worked for 5 years at UBS and 4 years at Merrill Lynch in their US technology investment banking groups, based out of New York.

PW: *Please could you explain to our readers what the main characteristics of the Israeli M&A market are in terms of domestic vs. inbound and outbound activity and also the sectors that tend to be important for M&A.*

IP: The Israeli M&A market is mostly international, very few deals are announced where both the buyer and seller are based in Israel. Of these international deals, the majority are from inbound buyers looking to acquire Israeli targets. The main reason for this is that the average Israeli company is small by global standards, highlighted by the fact that as a country, Israel has the highest number of start-ups per capita globally. This start-up mentality defines the sectors that are most prevalent in M&A with regard to international interest – these are mainly Technology and Healthcare, and over the last two years, for example, these two sectors have made up around 70% of the acquisitions in Israel.

PW: *The U.S. has historically been the largest inbound source of M&A, accounting for over 50% of inbound M&A by volume and value. However, last year China became the second largest investor after the US, with 7 deals at a total value of US$420m. Do you see interest from China in Israeli companies and assets as something which can be expected to remain or even increase this year and in the future?*

IP: We recently conducted research into the location of acquirers and interestingly found out that from 2006-2009 only 2% of acquirers were APAC based, however, in the more recent period of 2010-2015 that percentage rises to 25%. The number of Chinese buyers in the marketplace is noticeably increasing, we find that there are more Chinese delegations being sent to Israel, and we are being asked by colleagues in China to set up meetings all the time, and are ourselves being asked to take trips to China to explain the business landscape in Israel and discuss interesting companies which could be good targets for Chinese companies. With regard to future trends we absolutely expect this to continue and foresee an increasing interest in Israeli assets from China.

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PW: *Interestingly, the majority of U.S. interest has always been in the Israeli High Technology sector, but none of the China deals last year were in High Technology – 3 were in Healthcare, 1 in Food & Beverages, 1 in Energy and Power, 1 in Aerospace and Defence and 1 in Chemicals. Do you see Chinese interest as different from the US?*

IP: There is a difference in the reasoning of American and Chinese companies looking to purchase an Israeli company or asset. Traditionally, American buyers recognise that Israeli companies are exceptional in R&D and have developed superior technology that can save many years of internal R&D. They therefore usually look to port this technology in-house and sell it into their existing customer base, globally. Chinese buyers take a different approach, they instead utilise the expertise of the Israeli company, which can be in many fields, such as agriculture, dairy, healthcare and many other fields, into their own domestic market, which in itself is tremendous in size. A good example of this is the acquisition of Alma Lasers by Chinese Fosun Pharma in 2013. Alma Lasers is a world-leading manufacturer of laser, light-based, and ultrasound products with leading R&D capabilities in the medical aesthetics area. Fosun believe that there is a large, untapped, market for these products in China and therefore plans to utilize its contacts and presence in China to further Alma's business there. Similarly, most of the Chinese companies looking for acquisitions in Israel do so with the thought that the acquired company's products and knowledge can be leveraged domestically, in China.

PW: *The domestic M&A market was noticeably less busy in terms of the volume of announced deals last year compared to 2013 – with 39 domestic deals announced in 2014 compared to 86 in 2013. What do you think is the reason for this slowdown in activity and are you seeing any signs of a change in the domestic market so far this year?*

IP: In my mind, this trend reflects the increased interest in Israeli assets from abroad and not necessarily the lack of interest by local buyers. Competition for quality Israeli assets has increased and many assets that previously were sold domestically are now drawing interest from abroad. The world has discovered the ingenuity and technology of Israeli companies and whilst this is a positive for inbound M&A it hurts the local companies' ability to compete and acquire domestically.

PW: *Do you see any other changing or emerging trends in the Israeli market?*

IP: The main change is the geographic region of the buyers. The emergence of APAC and specifically China has been at the expense of European buyers, whilst American buyers remain very active locally. The main sectors are Technology and Healthcare, interest from foreign acquirers for other sectors is somewhat lower, although for the right assets, there is demand.

PW: *What has been the impact of the recent closely fought election on M&A activity in Israel?*

IP: When Israel is spoken about it is often associated with geopolitics. Barclays conducted research to evaluate the correlation between M&A and geopolitics as well as M&A and stock market patterns (NASDAQ) over the last two decades. The findings show a very high correlation between M&A activity and the strength of the global stock markets but almost no correlation between M&A activity and the geopolitical situation in the region. History has therefore shown that buyers interested in Israeli companies are not impacted by geopolitics but are instead driven by the attractive nature of the target.

PW: *The re-elected Prime Minister Benjamin Netanyahu currently has an, at best, strained relationship with Washington – how do you foresee this impacting cross border M&A activity in Israel, especially from the Unites States?*

IP: Companies that acquire targets in Israel do so because of the superior technology offered. The relationship between the administrations has absolutely zero impact on M&A between the US and Israel.

PW: *How are sellers reacting to the uncertainty surrounding the composition of the new government as Benjamin Netanyahu looks to form one? Are sellers pausing to wait for a more stable political period before putting targets up for sale?*

IP: It doesn't really have an impact on the level of M&A. The leader of the country will remain the same and whilst there may be some changes in government, in terms of coalition partners, there is an expectation that much of the regime will stay the same, including importantly, the way companies are governed.

PW: *Do the long-running conflicts in the Middle East have an impact on the Israeli market; do flashpoints tend to result in volatility as investors react to events?*

IP: There is no significant correlation between the two. Everything going on around Israel, including ISIS and Egypt that doesn't specifically touch Israel has no impact on M&A. When there are conflicts that impact the local economy, we might see a short pause, but historically, it has quickly returned to normal activity. People have gotten used to it and accept that this is the neighbourhood that we live in.

PW: *Are Israeli companies that are looking to buy assets or companies tending to find what they are looking for domestically or are they looking to foreign shores for increased opportunities and if so what countries and sectors are Israeli companies targeting for outbound M&A?*

IP: The answer to this question is very company-specific because there are only a few Israeli companies which are big enough to have M&A as part of their growth strategy. All the other companies do acquisitions on a one-off basis. The companies that do acquisitions as part of their ongoing, core strategy, always acquire in their sector, for instance, Frutarom, a company that makes many acquisitions annually, always buys in the food additives space because this is the market in which it operates. Similarly, Teva is very active internationally in making acquisitions in the generic pharmaceuticals sector. Such large players will continue to acquire assets outside of Israel.

PW: *Do you find that sellers would rather their target be sold to a domestic bidder or a foreign bidder? What are the factors that influence this decision?*

IP: Companies tend to be fairly agnostic, though at times they would prefer an international buyer since Israeli companies which are acquired by foreign investors, look to leverage the acquisition to expand globally, usually after exhausting the local market potential.

Sentiment survey

Based on our Q1 2015 global sentiment survey, optimism among dealmakers has increased compared to last quarter.

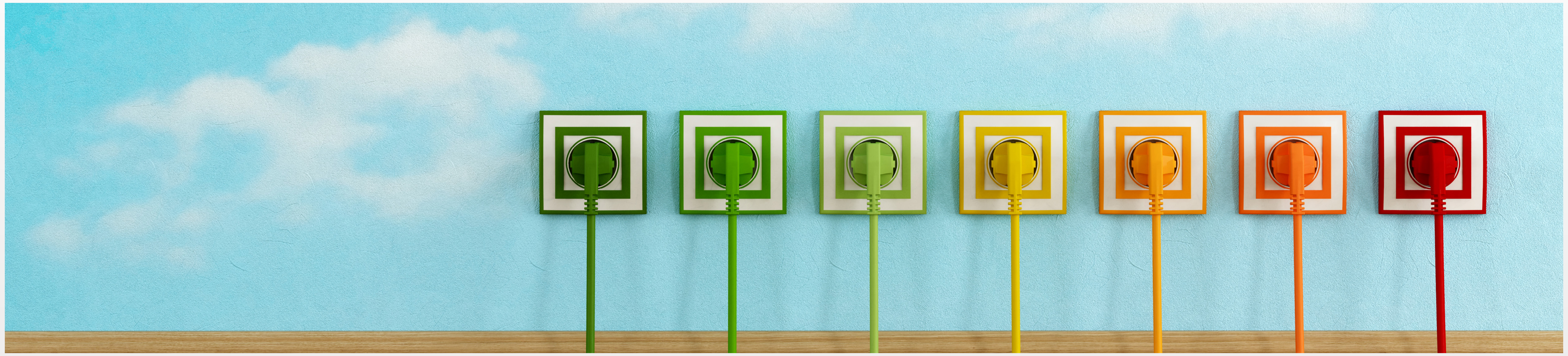
Highlights of the Q1 2015 survey results include:

60% of respondents are optimistic about the deal environment in the next six months, compared to 55 percent being upbeat in the previous quarter's survey

64% of respondents believe that changes in currency rates (e.g., current U.S. dollar strengthening and Euro weakening) affect M&A activity

65% of respondents expect deals volumes to increase over the next six months, compared to 64 percent in the previous quarter's survey

Respondents expect deal valuation to be the most difficult part of the M&A process and that global economic recovery will have the most impact on M&A activity over the next 12 months.



About: the Intralinks Deal Flow Predictor

The Intralinks DFP provides Intralinks' perspective on the level of early-stage M&A activity taking place during any given period of time.

The statistics contained in this report reflect the volume of VDRs opened, or proposed to be opened, through Intralinks or other providers for the purpose of conducting due diligence on proposed transactions, including asset sales, divestitures, private placements, financings, capital raises, joint ventures, and partnerships.

These statistics are not adjusted for changes in Intralinks' share of the VDR market or changes in market demand for VDR services. These statistics may not correlate to the volume of completed transactions reported by market data providers and should not be construed to represent the volume of transactions ultimately consummated during any period of time. Indications of future completed deal activity derived from the Intralinks DFP are based on assumed rates of deals going from diligence stage to completion. In addition, the statistics provided by market data providers regarding announced M&A transactions may be compiled with a different set of transaction types.

To verify the predictive nature of the Intralinks DFP, we compared the data underlying the Intralinks DFP with subsequent announced deal volume data reported by Thomson Reuters. We engaged an independent statistical analysis firm to perform a linear regression analysis of the data for the period Q3 2011 to Q2 2013. This analysis showed a very high level of statistical significance, with a more than 99 percent probability that the Intralinks DFP is a statistically significant six-month predictive indicator of announced deal data, as reported by Thomson Reuters. These statistics put the Intralinks DFP on par with U.S. government forecast data for inflation, unemployment and GDP in terms of predictive value. We plan to periodically update the independent statistical analysis to confirm the Intralinks DFP's validity as a predictor of future M&A activity.

The Intralinks DFP report is provided "as is" for informational purposes only. Intralinks makes no guarantee, representation or warranty of any kind regarding the timeliness, accuracy or completeness of the content of the report. This report is based on Intralinks' observations and subjective interpretations of due diligence activity taking place, or proposed to take place, on Intralinks' or other providers' VDR platforms for a limited set of transaction types. This report is not intended to be an indicator of Intralinks' business performance or operating results for any prior or future period.

This report is not intended to convey investment advice or solicit investments of any kind whatsoever.

About Intralinks

Intralinks Holdings Inc. (NYSE: IL) is a leading global technology provider of inter-enterprise content management and collaboration solutions. For more information, visit www.intralinks.com.

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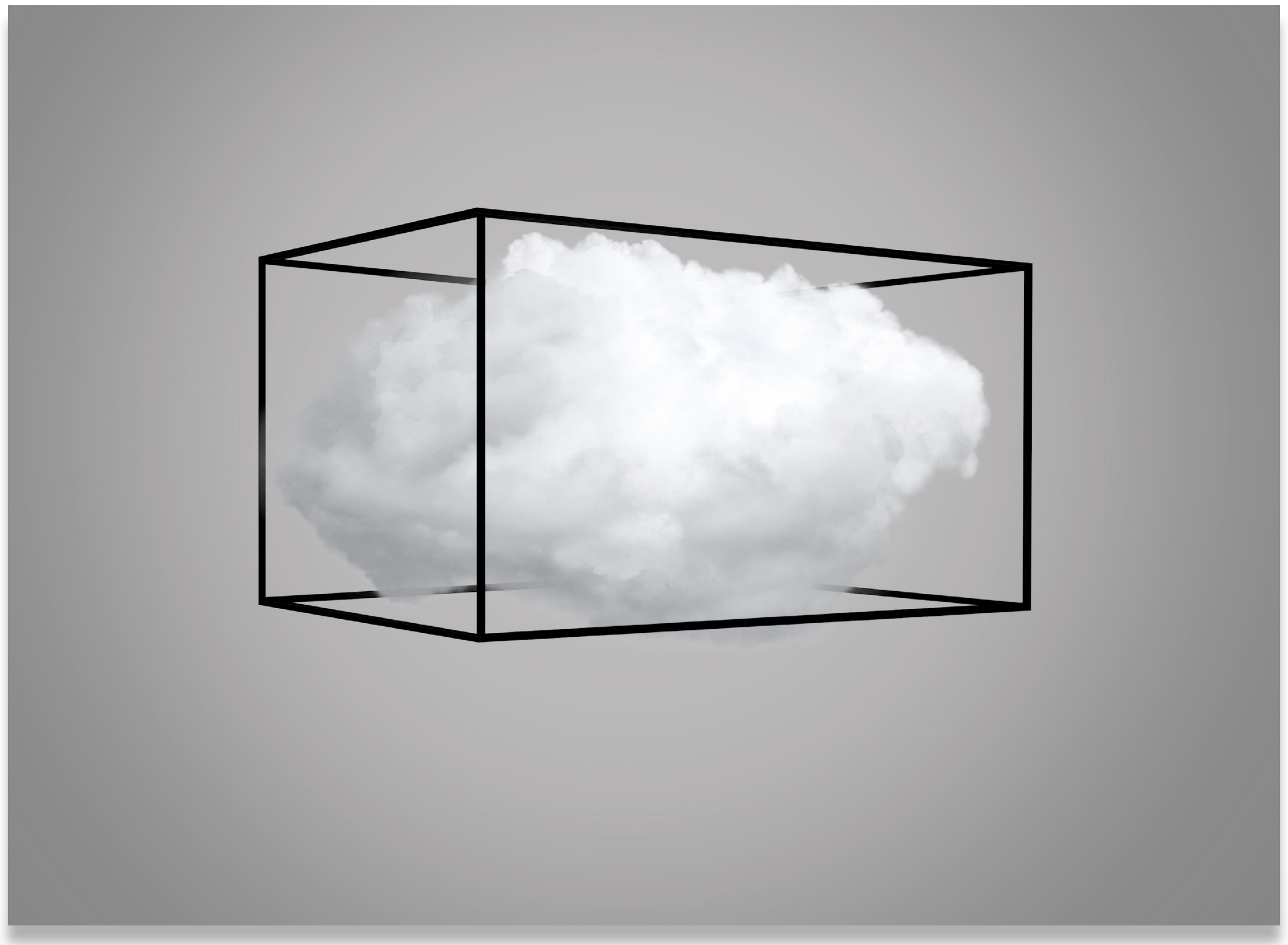

Thanks to Thomson Reuters for permission to use their M&A deal reports and related data in the DFP report.

The Intralinks Dealmakers Sentiment survey polls a global sample of active M&A professionals taken from the Intralinks database. The survey was conducted in March 2015 and received 600 responses.