



Trends & Outlook in Top-10 M&A Markets

Evalueserve M&A Recovery Index

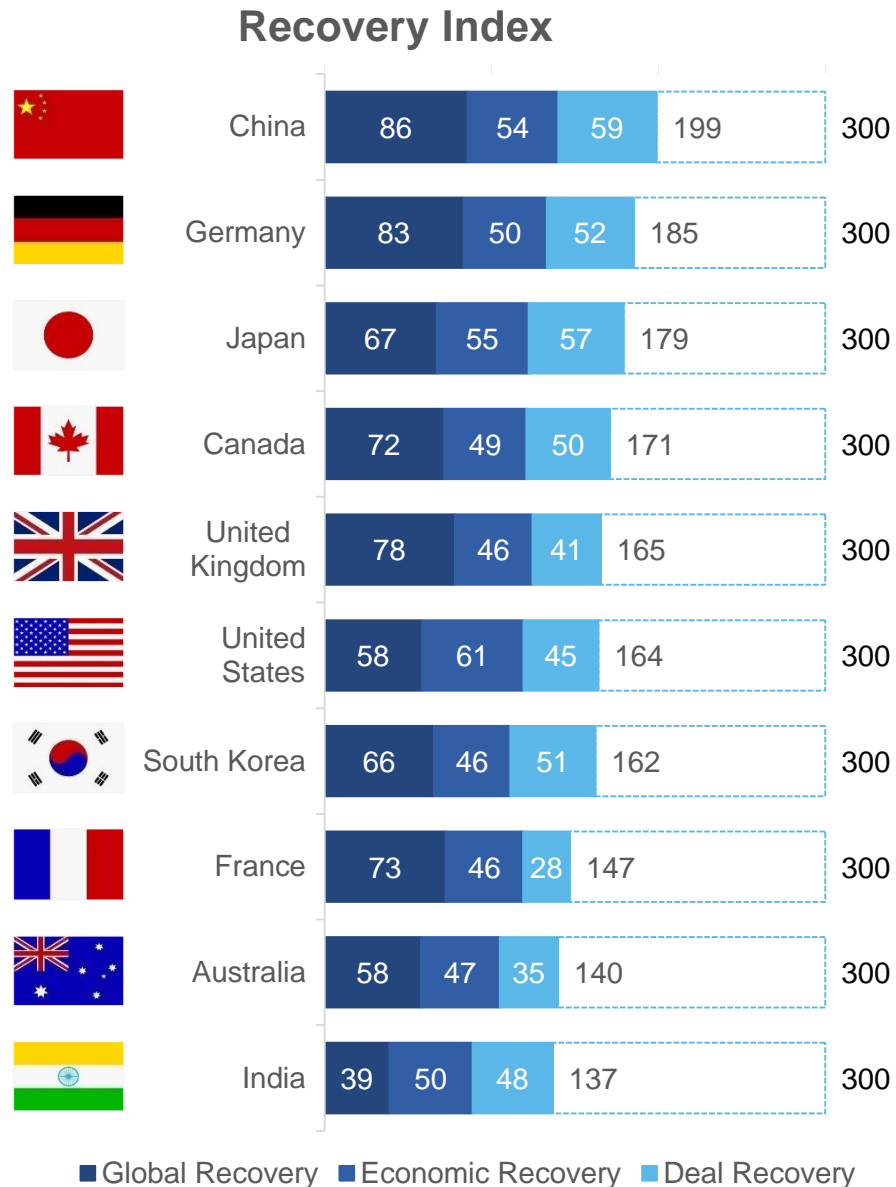
September 2020

Corporate and Investment Banking Practice



Evalueserve M&A Recovery Index (EMARI)

Deal recovery is correlated with global social recovery and economic recovery

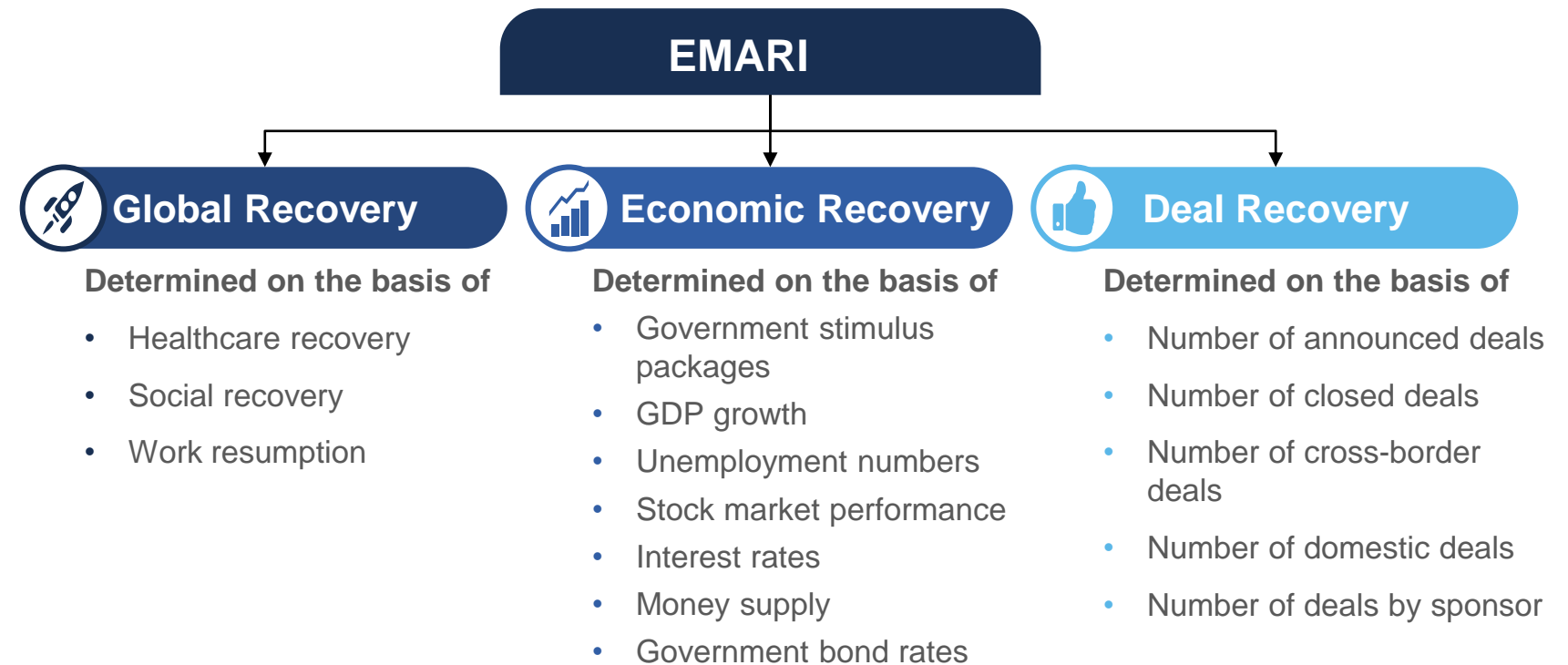


EMARI

- We take a look at the top 10 countries by M&A volume and how they are faring with regard to COVID-19, their economy, and M&A dealmaking
- We assign a recovery score indicating their extent of recovery so far and how much they need to do to achieve a pre-COVID-19 level of normalcy



EMARI is an index developed with the use of indicators that have a high correlation with M&A activity. These indicators are benchmarked against pre-COVID numbers to gauge the extent of recovery in each country

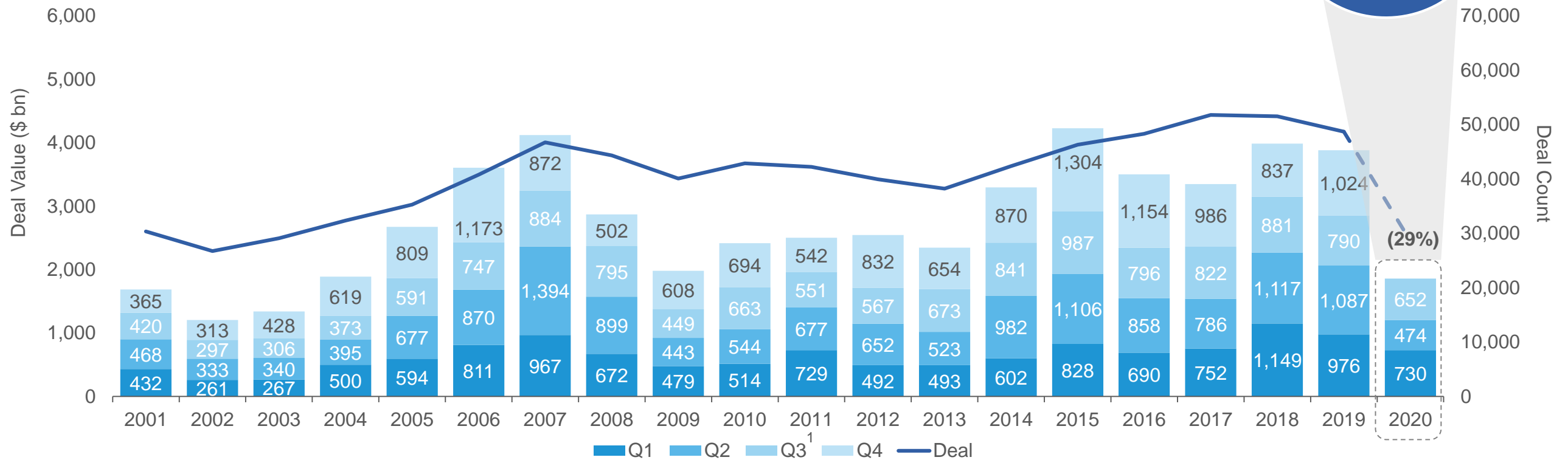
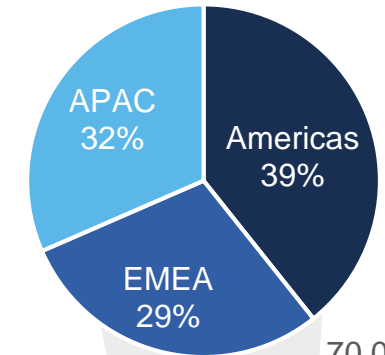


Quarterly Global M&A Volume Since 2001

While M&A activity is down 29% compared with 2019, Q3 2020 looks promising

- The Americas contributed 39% of the total deal volume in 2020, which was down by 51% YoY
- Europe has started showing early signs of recovery, with YTD 2020 volumes increasing by 2% YoY
- APAC, especially China and Japan, have started recovering, with M&A volumes in China increasing by 41% YoY and Japan by 20% YoY

YTD 2020 Regional Mix



3 Source: Refinitiv. Note: YTD as of September 3, 2020. ¹ Q3 2020 depicts data from July 1, 2020 to September 3, 2020

Global M&A Overview – Top 10 Deals in 2020

6 of Top 10 deals announced in 2020 YTD were signed in Q3

Top 10 Announced Deals YTD 2020

Date	Acquirer Name	Acquirer Nation	Target Name	Target Nation	Target Industry	Consideration	Size (\$B)
13-Sep-20	Nvidia	United States	Arm Holdings	United Kingdom	Technology	Cash & Stock	\$40.0
13-Sep-20	Gilead Sciences	United States	Immunomedics	United States	Healthcare	All Cash	\$19.8
09-Mar-20	Aon	United Kingdom	Willis Tower Watson	United Kingdom	Financial	All Stock	\$30.1
02-Aug-20	7-Eleven	United States	Speedway	United States	Retail	All Cash	\$21.0
13-Jul-20	Analog Devices	United States	Maxim Integrated	United States	Technology	All Stock	\$20.7
27-Feb-20	Advent, Cinven & RAG Foundation	United Kingdom	Thyssenkrupp Elevator	Germany	Industrials	All Cash	\$18.7
05-Aug-20	Teladoc Health	United States	Livongo Health	United States	Technology	Cash & Stock	\$17.3
02-Aug-20	Siemens Healthineers	Germany	Varian Medical Systems	United States	Healthcare	All Cash	\$16.0
25-Jun-20	National Commercial Bank	Saudi Arabia	Samba Financial Group	Saudi Arabia	Financial	All Stock	\$15.6
20-Feb-20	Morgan Stanley	United States	E*Trade Financial	United States	Financial	All Stock	\$13.1

Top 10 Withdrawn Deals YTD 2020

Date	Withdrawn Date	Acquirer Name	Acquirer Nation	Target Name	Target Nation	Target Industry	Size (\$B)
06-Nov-19	31-Mar-20	Xerox	United States	HP	United States	Technology	\$35.2
03-Mar-20	13-Aug-20	Quebec B.V. (Thermo Fisher)	Netherlands	Qiagen	Netherlands	Healthcare	\$12.0
03-Mar-20	12-May-20	Covea SGAM	France	PartnerRE	Canada	Financial	\$9.1
12-Jan-20	06-Apr-20	Woodward	United States	Hexcel	United Kingdom	Industrials	\$7.6
26-Nov-19	20-Apr-20	Alimentation Couche –Tard	Canada	Caltex Australia	Australia	Energy & Power	\$7.1
22-Oct-19	31-Jan-20	MIH Food Delivery Holdings	Netherlands	Just Eat	United Kingdom	Retail	\$7.0
10-Feb-19	10-Jun-20	Simon Property Group	United States	Taubman Centers	United States	Real Estate	\$6.8
5-May-19	18-May-20	Total	France	Anadarko - Algeria & Ghana Asset	Algeria	Energy & Power	\$4.9
30-Oct-19	13-Jan-20	Clayton Dubilier & Rice	United States	Anixter International	United States	Technology	\$4.3
05-Jul-18	25-Apr-20	Boeing	United States	Embraer - Commercial Aviation	Brazil	Industrials	\$4.2

Summary of Global M&A Trends

Global M&A is expected to pick up in the remaining months of 2020

Coronavirus brought an end to one of the longest waves in M&A history as global dealmaking dropped to its lowest levels in more than a decade during the second quarter of 2020

Due diligence continues to rank as a top area of concern globally for M&A practitioners

- *Acquirers are undertaking significant additional due diligence to assess the effect of the coronavirus crisis on sellers' businesses*

Businesses are embracing analytics and digital innovation

- *Companies are increasingly leveraging data and analytics to uncover opportunities and risks, and embracing new digital tools (such as drones) to conduct virtual site visits*

Indemnity and Escrow Provisions and Representation and Warranty Insurance are becoming popular in M&A transactions

- *The coronavirus crisis is expected to put upward pressure on the size of indemnity escrows or holdbacks in case of private company acquisitions*

Divestitures remain popular for corporates

- *Change in strategy and financing needs, as well as divesting technology / capabilities that no longer fit emerging business models are driving divestitures*

Data protection and related regulations, along with shareholder activism, are among emerging M&A trends driving strategy and activity

- *Companies need to be sensitive to cybercrime and its impact on valuation and latent issues. As the economy moves forward and M&A activity picks up, companies need to be cognizant of potential post-closing issues, which should be weighed when considering price and post-close integration*

Private equity fund houses, which are flush with liquidity, are joining hands with business enterprises to carry out acquisitions

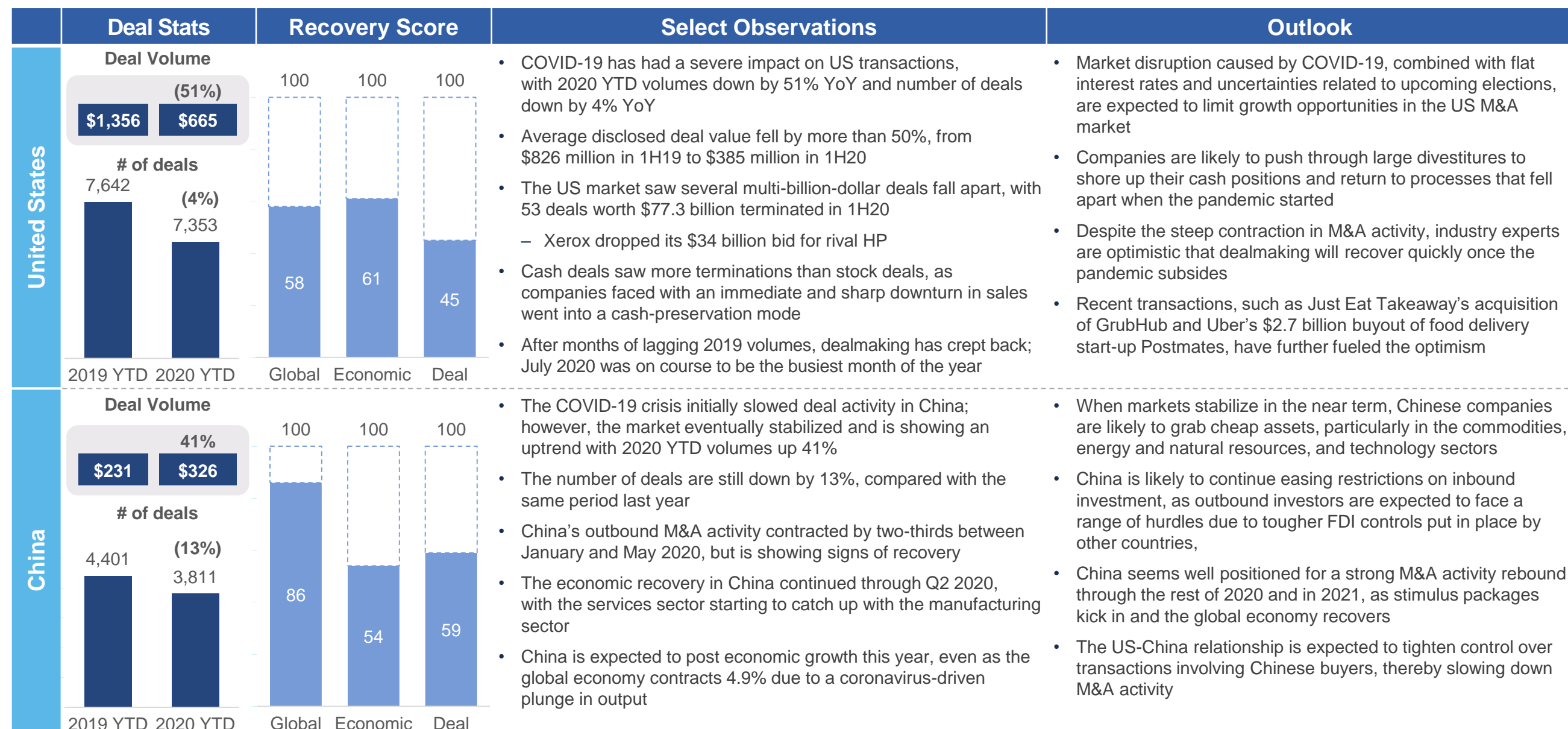
- *Some large companies with excess cash are on the lookout for reasonably priced deals to expand and / or diversify, in partnership with private equity firms*

Companies are increasingly acqui-hiring

- *Acquisition of startups for their talent by businesses that need emerging skills is likely to increase*

M&A Trends by Country

US being the largest M&A market is still far from recovery, China looks promising with positive M&A growth



M&A Trends by Country

Japan showing signs of recovery in tandem with China, UK is still negatively impacted due to Covid and Brexit

	Deal Stats	Recovery Score	Select Observations	Outlook
Japan	<p>Deal Volume</p> <p>20%</p> <p>\$49 → \$59</p> <p># of deals</p> <p>23%</p> <p>1,930 → 2,377</p> <p>2019 YTD 2020 YTD</p>	<p>100 100 100</p> <p>67 55 57</p> <p>Global Economic Deal</p>	<ul style="list-style-type: none"> Total M&A transaction value rose by 20% in 2020 YTD to c.\$59 billion Despite rising concerns over COVID-19, the number of deals rose by 23% in 2020 YTD, compared with 2019 YTD Japan's benchmark Nikkei 225 recovered to its post-COVID-19 level of c.23,000 points, after falling 7,000 points or 30% and bottoming out in mid-March 2020 Shift in M&A strategy <ul style="list-style-type: none"> Mitsubishi Corporation, which is among the most active and aggressive dealmakers, announced that it will engage in only one deal at a time till the tough times are over Mergers are beginning to pick pace after slumping to a 10-year low in April <ul style="list-style-type: none"> Sony announced a \$3.6 billion move to buy out its financial arm 	<ul style="list-style-type: none"> The Central Bank of Japan continues its unprecedented quantitative and qualitative easing policy to provide a boost to the economy Heightened geopolitical tensions could threaten Japanese exports and foreign direct investment positions The prospect of a V-shaped recovery has begun in Japan, as demand has started to pick up Companies are aiming to double their current level of cash in hand through divestment of non-core assets to weather the storm On the positive side, Japan's biggest export market, China, is the strongest-performing large economy in the world right now
	United Kingdom	<p>Deal Volume</p> <p>(35%)</p> <p>\$141 → \$92</p> <p># of deals</p> <p>(32%)</p> <p>2,273 → 1,546</p> <p>2019 YTD 2020 YTD</p>	<p>100 100 100</p> <p>78 46 41</p> <p>Global Economic Deal</p>	<ul style="list-style-type: none"> UK has been hit hard by the COVID-19 crisis, as it has suffered high infection and death rates; the situation is paving the way for a second lockdown after restrictions began to be eased in May The OECD has forecast an 11.5% GDP decline in 2020 for the UK, followed by a 9% rebound in 2021 Transactions completed in Q2 2020 were well underway before the COVID-19 pandemic began, and were completed for strategic reasons Foreign investment in the UK M&A market is at its lowest point since before the global financial crisis of 2008 The FTSE 100 Index has been the worst performer among major developed stock indices

M&A Trends by Country

Canada expected to recover slowly, APAC showing signs of recovery, but South Korea is still lagging

	Deal Stats	Recovery Score	Select Observations	Outlook
Canada	<p>Deal Volume</p> <p>(57%)</p> <p>\$79 \$34</p>	<p>100 100 100</p> <p>72 49 50</p>	<ul style="list-style-type: none"> Canadian M&A activity dropped c.57% YoY in YTD 2020 Inbound transactions represented 30% of cross-border deal volume in Q1 2020, compared with 39% in the prior quarter A rapid rise in coronavirus infections in the US, Canada's largest trading partner, has severely impacted the country's exports The pandemic is believed to have had a sweeping effect on the insurance and re-insurance industries Several industries, including energy, travel, and hospitality, have been hit hard by the pandemic The total number of distressed sales and restructurings has risen dramatically, a trend that will likely continue 	<ul style="list-style-type: none"> Lingering scars, in the form of COVID-19 infection-related fear, bearish outlook for oil prices, bankruptcies, and regulated social distancing, are likely to limit capacity utilization and growth for more than a fourth of the economy The problem of stranded assets could magnify, and a drawn-out, slow balance-sheet repair process could ensure; the recovery, in such a scenario, would be flatter even after the pandemic abates The pace of growth is likely to be slow as economies deal with the legacy of a deep recession <ul style="list-style-type: none"> The future is likely to be characterized by considerable volatility in both the economic and financial conditions
	<p># of deals</p> <p>(2%)</p> <p>1,553 1,523</p>	<p>2019 YTD 2020 YTD</p> <p>Global Economic Deal</p>		
South Korea	<p>Deal Volume</p> <p>(29%)</p> <p>\$42 \$30</p>	<p>100 100 100</p> <p>66 46 51</p>	<ul style="list-style-type: none"> Both deal count and volume declined as the COVID-19 pandemic created uncertainties in relation to companies' earnings outlook and economic growth <ul style="list-style-type: none"> With sellers demanding pre-COVID-19-level valuations and buyers unwilling to pay premiums, deals have not been struck Large deals, such as the one including Jeju Air's acquisition of fellow budget carrier Eastar Jet, have been pushed back or cancelled PE activity has also declined, and firms are opting to concentrate on engaging their existing investment portfolio, rather than seeking new purchases / investments Companies are trying to maintain their cash and liquid assets instead of pursuing deals 	<ul style="list-style-type: none"> According to GlobalData, the country aims to leverage technologies such as 5G and AI to support economic recovery post-COVID-19 South Korea fell into a recession in Q2 2020, as the coronavirus pandemic took a heavy toll on the export-reliant country <ul style="list-style-type: none"> Global demand is likely to recover slowly, depending primarily on export recovery According to the IMF, Korea's economy is set to contract by 2.1% in 2020 The M&A market is likely to recover rapidly if the COVID-19 crisis eases in the near future, as companies hold high-liquidity assets
	<p># of deals</p> <p>(6%)</p> <p>1,098 1,028</p>	<p>2019 YTD 2020 YTD</p> <p>Global Economic Deal</p>		

M&A Trends by Country

Germany only European market with positive M&A growth, Reliance's recent M&A spree driving M&A in India

	Deal Stats	Recovery Score	Select Observations	Outlook
Germany	<p>Deal Volume</p> <p>23%</p> <p>\$49.5 → \$61</p> <p># of deals</p> <p>1,075 (19%) → 870</p> <p>2019 YTD 2020 YTD</p>	<p>100 100 100</p> <p>83 50 52</p> <p>Global Economic Deal</p>	<ul style="list-style-type: none"> Despite being at just a 52% deal-recovery level, Germany still showed deal volume increase of 23%, mostly attributable to 2 large deals that constituted ~50% of total YTD20 volume <ul style="list-style-type: none"> The \$18.7 billion acquisition of Thyssenkrupp's elevators division by a consortium of Advent, Cinven, and RAG Foundation The \$8.2 billion acquisition of Bombardier Transportation by Alstom COVID-19 has severely affected the M&A business in Germany and largely brought it to a standstill The M&A market has seen shifts, including greater spread among valuation multipliers, increased sales of peripheral activities by large corporations, defensive deals, and emergency sales German GDP fell by 10.1% in Q2 2020, the sharpest since 1970 	<ul style="list-style-type: none"> As markets stabilize, a noticeable revival is expected in deal activity by the end of 2020 German companies face substantial uncertainty and challenges, and are focusing on driving innovation, creativity, and faster process changes The German mid-cap segment is likely to be active in the next 18 months The tightening of rules to protect domestic firms from unwanted takeovers by investors from non-European Union countries could have a negative impact on the cross-border M&A market in the long term
India	<p>Deal Volume</p> <p>(12%)</p> <p>\$57 → \$50</p> <p># of deals</p> <p>1,077 (21%) → 850</p> <p>2019 YTD 2020 YTD</p>	<p>100 100 100</p> <p>39 50 48</p> <p>Global Economic Deal</p>	<ul style="list-style-type: none"> In India, M&A activity showed a downtrend in YTD 2020, with total deal value touching a 3-year low and 12% decline from YTD 2019 Domestic deals continued to lead with a 53% contribution, followed by inbound deals at 39%, and outbound deals at 2% Amid the pandemic, Reliance fueled the Indian M&A space in which Jio emerged as an investment magnet for many global PE firms; Jio raised \$20.8 billion from 13 investors, while Reliance bought the retail business of Future Group for \$3.8 billion Major consolidation took place in the banking space, marked by the infusion of \$1.4 billion into Yes Bank by a consortium of banks led by SBI The US was the most active foreign acquirer in India, representing ~24% in terms of deal value and ~10% in terms of number of deals 	<ul style="list-style-type: none"> Deal activity is expected to remain uncertain in 2020, and largely dependent on how quickly the economy recovers The focus of dealmaking is shifting towards value creation and enhancement Businesses are facing challenges related to cash flow, and are looking for assets with attractive valuations Private equity investors are increasingly looking at public equity deals in the Indian market, rather than investing in private companies

M&A Trends by Country

Australian M&A market remain uncertain as companies try to fund themselves through equity raisings

	Deal Stats	Recovery Score	Select Observations	Outlook
Australia	Deal Volume (48%) \$47 → \$25	100 → 100 → 100 58 → 47 → 35	<ul style="list-style-type: none"> Geopolitical tensions with China and government regulations affected foreign investment and led to a decrease in M&A activity M&A among ASX small caps index companies was down ~40% in H1 2020, compared with H1 2019 Notable transactions in H1 2020 include the acquisition of QCLNG's infrastructure assets by Shell for \$2.5 billion and Quadrant PE's sell of its disability and employment services business, APM, to Madison Dearborn for \$1.5 billion Australia has suffered its first recession in 30 years; its unemployment rate has hit a 19-year high of 7.1% Businesses continue to recalibrate their models, based on the changing and resetting demand and supply scenario 	<ul style="list-style-type: none"> The outlook remains uncertain, although investor appetite has improved since March 2020, as various companies have raised capital to sustain themselves Equity raising is expected to increase in the remaining months of 2020, as companies need funding to ramp up their footprint after the COVID-19 lockdowns Reduced volatility, rebound in equity markets, and strong commodity prices may provide growth certainty and acquisition opportunities in H2 2020 <ul style="list-style-type: none"> M&A activity expected to rise slowly during Q3 2020 and pick up pace in Q4 2020
	# of deals 1,033 → 856 (17%)	2019 YTD 2020 YTD Global Economic Deal		
France	Deal Volume (34%) \$49 → \$32.5	100 → 100 → 100 73 → 46 → 28	<ul style="list-style-type: none"> Total deal volume in the first eight months of 2020 was down 34% YoY to \$33 billion Pending mega deals include a \$10.1 billion merger between French payment processing giants Ingenico and Worldline In H1 2020, inbound cross-border deal volume fell by 37%, but inbound deal grew 2% to \$18.3 billion, with four of the five largest deals secured in France involving investors from abroad The steep decline in deal activity reflected a challenging macroeconomic backdrop <ul style="list-style-type: none"> With GDP witnessing a freefall and stock markets remaining capricious, it has been difficult for dealmakers to take a view on company value and transact with confidence 	<ul style="list-style-type: none"> The French government took strong steps, such as freezing taxes, to support the economy through the worst of the lockdown <ul style="list-style-type: none"> Paris has allowed companies to declare <i>force majeure</i> if they are unable to honor a contract with the public sector Deal processes that were put on ice are coming online <ul style="list-style-type: none"> There is plenty of pent-up demand from private equity firms; GDP growth prospects are brighter than they were a few months ago Both exports and imports seem to have stabilized; a downside to exports could be the impact of additional US tariffs on French goods The domestic market remains strong, due to which demand for manufactured goods has not weakened as much as in other Eurozone countries
	# of deals 1,328 → 686 (48%)	2019 YTD 2020 YTD Global Economic Deal		

Key Takeaways

Technology and Healthcare sectors expected to lead recovery

“ The M&A market is beginning to **show green shoots of activity**.. the pick-up would be seen particularly among **well capitalized strategic acquirers pursuing logical targets**, as well as companies seeking to do **stock-for-stock deals in volatile equity markets**

- Anu Aiyengar, June 08, 2020
J.P. Morgan (Co-Head, M&A Global)

“ This current **down cycle is likely to be relatively short-lived**...expect a **meaningful pickup** in the **second half** of this year. Private equity is taking a larger, **more active role** in this environment, especially **private investments in public equity**. In previous downturns we have seen significant pent up demand for M&A transactions drive a higher level of strategic activity during the recovery. We **expect all-stock transactions to predominate** as this structure allows both parties in a transaction **to benefit in the upside as the economy recovers**

- Dusty Philip, June 16, 2020
Goldman Sachs (Co-Head, M&A Global)

“ Investors have generally welcomed portfolio repositioning...We also see **activism as a catalyst for corporate carve-outs in Europe**...While we have observed less activist engagement with corporates during the crisis, we **expect the volume of such engagement to rise over the coming months**

- Cathal Deasy, June 19, 2020
Credit Suisse (Head of EMEA, M&A)

“ Sectors like **technology and health care** will be at the **front end of the recovery**...When the market does come back we expect to **see a lot of stock deals**...We continue to see a lot of dialogue around **joint venture activity** as well... People are increasingly thinking about the **activist preparedness and raid defense** in light of the market dislocation and low stock prices

- Patrick Ramsey, July 04, 2020
Bank of America (Head, M&A Global)

“ **Divestiture activities will have a strong influence in reshaping businesses for the ‘next normal’ conditions**... It’s also inevitable that dealmaking will need to change to reflect these new realities. Especially now, corporate purpose that intertwines sustainability with commercial success, resilience, and **building trust across a wide coalition of stakeholders will need to be the cornerstone for future successful dealmaking**.

- Iain Macmillan, August 22, 2020
Deloitte (Global M&A Services Leader)

“ If you look in June and July, all of a sudden we had a whole string of mega deals — deals over \$1 billion, \$10 billion — the likes of which we had not seen in awhile...**I think that actually brings some light back into the market a bit**...I think people have seen that a lot of their fundamental strategies are still holding water for the kinds of things they want to do, but **this [pandemic] has also driven a tremendous interest in digital asset**.

- J. Neely, August 28, 2020
Accenture (MD & Global M&A Lead)

About the Authors



NISHANT GUPTA

**Vice President
Head of Delivery, Corporate and Investment Banking LoB**

- Nishant has over 15+ years of experience in transitioning and setting up offshore support teams for global investment banks

✉ Nishant.Gupta@evalueserve.com



DEEPESH BHATNAGAR

**Associate Vice President
Corporate and Investment Banking LoB**

- Deepesh has over 13+ years of experience in setting up offshore support teams for global investment banks and managing delivery

✉ Deepesh.Bhatnagar@evalueserve.com



ABHINAV KUMAR DUBEY

**Group Manager
Corporate and Investment Banking LoB**

- Abhinav has over 12+ years of experience in managing investment banking delivery teams

✉ Abhinav.Dubey@evalueserve.com



SAURAV AGGARWAL

**Manager
Corporate and Investment Banking LoB**

- Saurav has over 7+ years of experience in working for investment banking and capital market teams

✉ Saurav.Aggarwal@evalueserve.com

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