

EVALUESERVE

# Trends & Outlook in Top-10 M&A Markets

## Evalueserve M&A Recovery Index

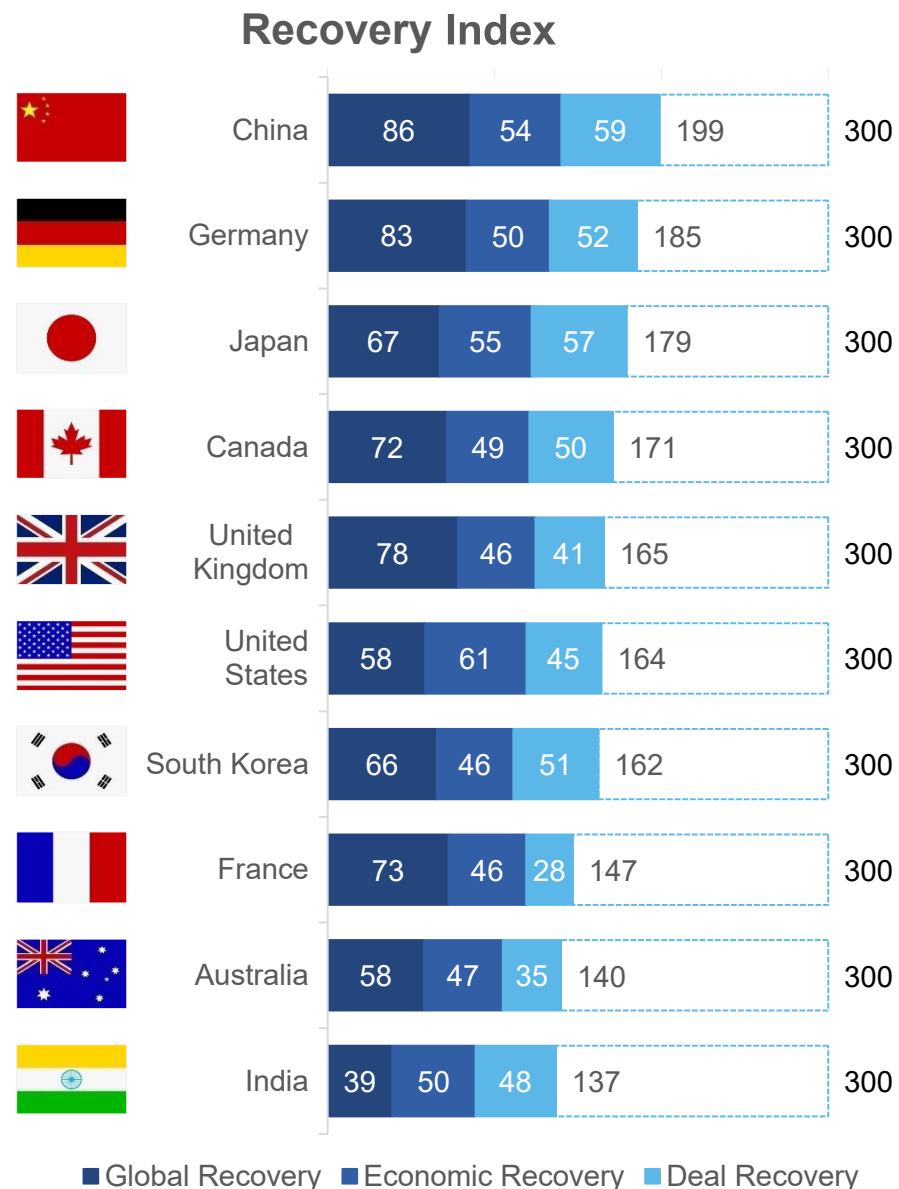
September 2020

Corporate and Investment Banking Practice



# Evalueserve M&A Recovery Index (EMARI)

Deal recovery is correlated with global social recovery and economic recovery

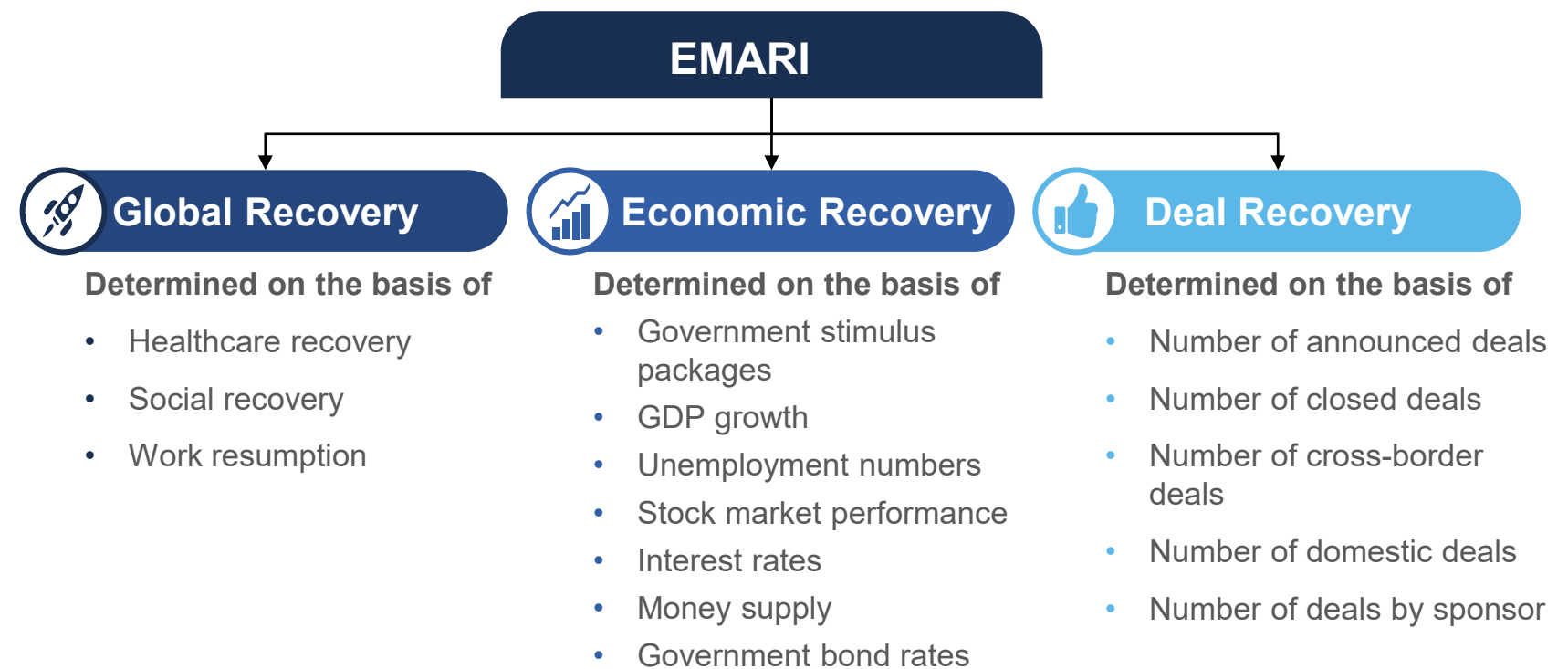


EMARI

- 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

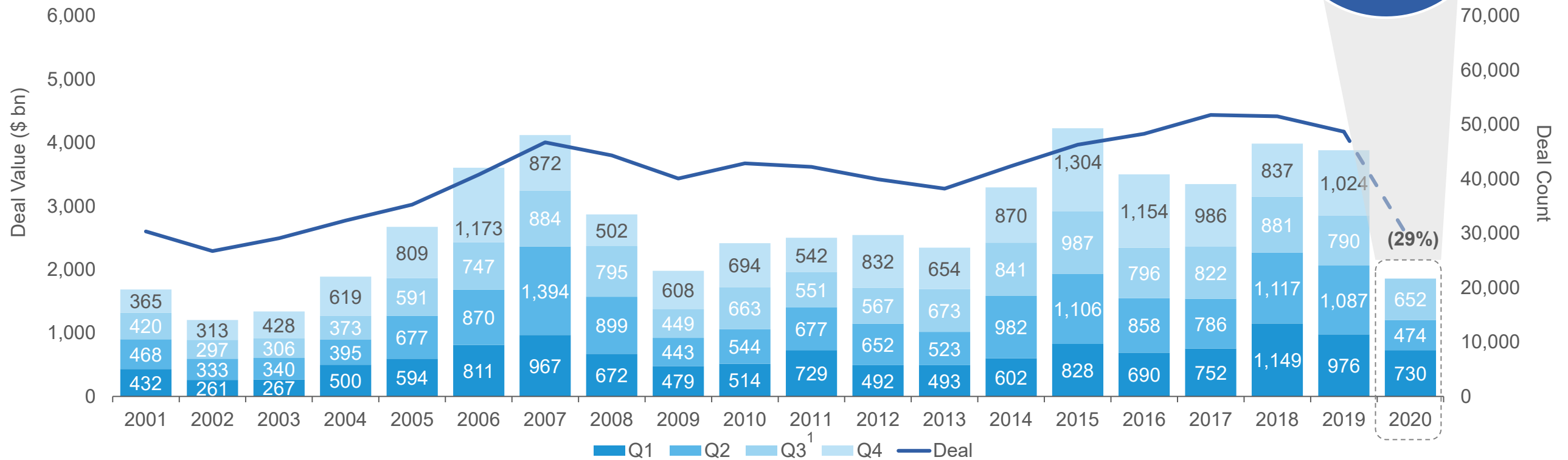
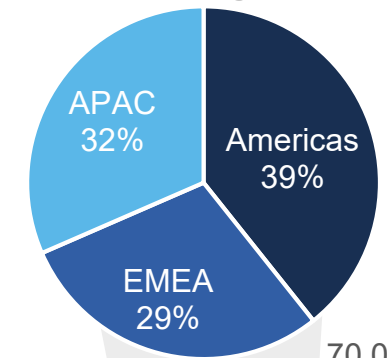


# Quarterly Global M&A Volume Since 2001

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





# 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

	Deal Stats	Recovery Score	Select Observations	Outlook
United States	<b>Deal Volume</b> <div> <div>(51%)</div> <div>\$1,356</div> <div>\$665</div> </div>	100	<ul style="list-style-type: none"> <li>COVID-19 has had a severe impact on US transactions, with 2020 YTD volumes down by 51% YoY and number of deals down by 4% YoY</li> <li>Average disclosed deal value fell by more than 50%, from \$826 million in 1H19 to \$385 million in 1H20</li> <li>The US market saw several multi-billion-dollar deals fall apart, with 53 deals worth \$77.3 billion terminated in 1H20 <ul style="list-style-type: none"> <li>Xerox dropped its \$34 billion bid for rival HP</li> </ul> </li> <li>Cash deals saw more terminations than stock deals, as companies faced with an immediate and sharp downturn in sales went into a cash-preservation mode</li> <li>After months of lagging 2019 volumes, dealmaking has crept back; July 2020 was on course to be the busiest month of the year</li> </ul>	<ul style="list-style-type: none"> <li>Market disruption caused by COVID-19, combined with flat interest rates and uncertainties related to upcoming elections, are expected to limit growth opportunities in the US M&amp;A market</li> <li>Companies are likely to push through large divestitures to shore up their cash positions and return to processes that fell apart when the pandemic started</li> <li>Despite the steep contraction in M&amp;A activity, industry experts are optimistic that dealmaking will recover quickly once the pandemic subsides</li> <li>Recent transactions, such as Just Eat Takeaway's acquisition of GrubHub and Uber's \$2.7 billion buyout of food delivery start-up Postmates, have further fueled the optimism</li> </ul>
	<b># of deals</b> <div> <div>7,642</div> <div>(4%)</div> <div>7,353</div> </div>	58		
China	<b>Deal Volume</b> <div> <div>41%</div> <div>\$231</div> <div>\$326</div> </div>	100	<ul style="list-style-type: none"> <li>The COVID-19 crisis initially slowed deal activity in China; however, the market eventually stabilized and is showing an uptrend with 2020 YTD volumes up 41%</li> <li>The number of deals are still down by 13%, compared with the same period last year</li> <li>China's outbound M&amp;A activity contracted by two-thirds between January and May 2020, but is showing signs of recovery</li> <li>The economic recovery in China continued through Q2 2020, with the services sector starting to catch up with the manufacturing sector</li> <li>China is expected to post economic growth this year, even as the global economy contracts 4.9% due to a coronavirus-driven plunge in output</li> </ul>	<ul style="list-style-type: none"> <li>When markets stabilize in the near term, Chinese companies are likely to grab cheap assets, particularly in the commodities, energy and natural resources, and technology sectors</li> <li>China is likely to continue easing restrictions on inbound investment, as outbound investors are expected to face a range of hurdles due to tougher FDI controls put in place by other countries,</li> <li>China seems well positioned for a strong M&amp;A activity rebound through the rest of 2020 and in 2021, as stimulus packages kick in and the global economy recovers</li> <li>The US-China relationship is expected to tighten control over transactions involving Chinese buyers, thereby slowing down M&amp;A activity</li> </ul>
	<b># of deals</b> <div> <div>4,401</div> <div>(13%)</div> <div>3,811</div> </div>	86		
	2019 YTD 2020 YTD	Global Economic Deal		

# 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	<b>Deal Volume</b> <div> <div>20%</div> <div>\$49 \$59</div> </div>	100 100 100	<ul style="list-style-type: none"> <li>Total M&amp;A transaction value rose by 20% in 2020 YTD to c.\$59 billion</li> <li>Despite rising concerns over COVID-19, the number of deals rose by 23% in 2020 YTD, compared with 2019 YTD</li> <li>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</li> <li>Shift in M&amp;A strategy                             <ul style="list-style-type: none"> <li>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</li> </ul> </li> <li>Mergers are beginning to pick pace after slumping to a 10-year low in April                             <ul style="list-style-type: none"> <li>Sony announced a \$3.6 billion move to buy out its financial arm</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The Central Bank of Japan continues its unprecedented quantitative and qualitative easing policy to provide a boost to the economy</li> <li>Heightened geopolitical tensions could threaten Japanese exports and foreign direct investment positions</li> <li>The prospect of a V-shaped recovery has begun in Japan, as demand has started to pick up</li> <li>Companies are aiming to double their current level of cash in hand through divestment of non-core assets to weather the storm</li> <li>On the positive side, Japan's biggest export market, China, is the strongest-performing large economy in the world right now</li> </ul>
	<b># of deals</b> <div>23%</div> <div>1,930 2,377</div>	67 55 57		
United Kingdom	<b>Deal Volume</b> <div>(35%)</div> <div>\$141 \$92</div>	100 100 100	<ul style="list-style-type: none"> <li>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</li> <li>The OECD has forecast an 11.5% GDP decline in 2020 for the UK, followed by a 9% rebound in 2021</li> <li>Transactions completed in Q2 2020 were well underway before the COVID-19 pandemic began, and were completed for strategic reasons</li> <li>Foreign investment in the UK M&amp;A market is at its lowest point since before the global financial crisis of 2008</li> <li>The FTSE 100 Index has been the worst performer among major developed stock indices</li> </ul>	<ul style="list-style-type: none"> <li>M&amp;A activity will take time to revive; Q3 is likely to be tough, with investor confidence remaining subdued</li> <li>Sluggishness in the UK market is expected to be even worse than in other countries because of uncertainties related to future trading plans and the need to reconfigure supply chains due to the Brexit deadline</li> <li>The UK government is expected to bring a new standalone FDI regime by way of the National Security and Investment bill; it will increase scrutiny in deals across select sectors</li> <li>S&amp;P Global has cut its forecast for UK's 2020 GDP to (-8.1%), warning of a 'perfect storm' if the country suffers a second wave of coronavirus infections</li> </ul>
	<b># of deals</b> <div>(32%)</div> <div>2,273 1,546</div>	78 46 41		
	2019 YTD 2020 YTD	Global Economic Deal		

# M&A Trends by Country

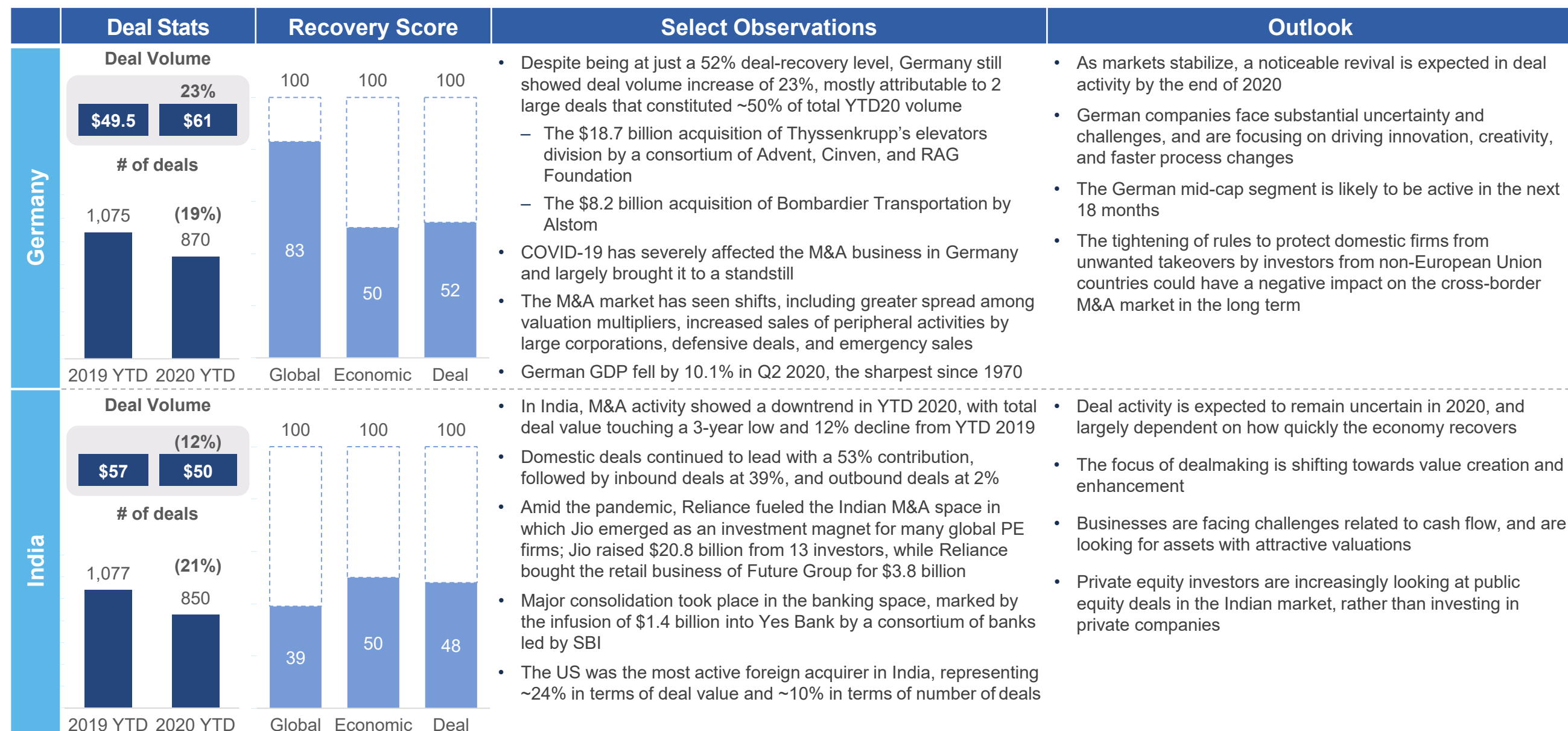
Canada expected to recover slowly, APAC showing signs of recovery, but South Korea is still lagging

	Deal Stats	Recovery Score	Select Observations	Outlook
Canada	<b>Deal Volume</b> (57%) <b>\$79</b> <b>\$34</b>	100   100   100 72   49   50	<ul style="list-style-type: none"> <li>Canadian M&amp;A activity dropped c.57% YoY in YTD 2020</li> <li>Inbound transactions represented 30% of cross-border deal volume in Q1 2020, compared with 39% in the prior quarter</li> <li>A rapid rise in coronavirus infections in the US, Canada's largest trading partner, has severely impacted the country's exports</li> <li>The pandemic is believed to have had a sweeping effect on the insurance and re-insurance industries</li> <li>Several industries, including energy, travel, and hospitality, have been hit hard by the pandemic</li> <li>The total number of distressed sales and restructurings has risen dramatically, a trend that will likely continue</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>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"> <li>The future is likely to be characterized by considerable volatility in both the economic and financial conditions</li> </ul> </li> </ul>
	<b># of deals</b> 1,553   (2%) 1,523	Global   Economic   Deal 2019 YTD   2020 YTD		
South Korea	<b>Deal Volume</b> (29%) <b>\$42</b> <b>\$30</b>	100   100   100 66   46   51	<ul style="list-style-type: none"> <li>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"> <li>With sellers demanding pre-COVID-19-level valuations and buyers unwilling to pay premiums, deals have not been struck</li> </ul> </li> <li>Large deals, such as the one including Jeju Air's acquisition of fellow budget carrier Eastar Jet, have been pushed back or cancelled</li> <li>PE activity has also declined, and firms are opting to concentrate on engaging their existing investment portfolio, rather than seeking new purchases / investments</li> <li>Companies are trying to maintain their cash and liquid assets instead of pursuing deals</li> </ul>	<ul style="list-style-type: none"> <li>According to GlobalData, the country aims to leverage technologies such as 5G and AI to support economic recovery post-COVID-19</li> <li>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"> <li>Global demand is likely to recover slowly, depending primarily on export recovery</li> </ul> </li> <li>According to the IMF, Korea's economy is set to contract by 2.1% in 2020</li> <li>The M&amp;A market is likely to recover rapidly if the COVID-19 crisis eases in the near future, as companies hold high-liquidity assets</li> </ul>
	<b># of deals</b> 1,098   (6%) 1,028	Global   Economic   Deal 2019 YTD   2020 YTD		



# 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



# 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	<b>Deal Volume</b> (48%) \$47 → \$25	100 → 100 → 100 58 → 47 → 35	<ul style="list-style-type: none"> <li>Geopolitical tensions with China and government regulations affected foreign investment and led to a decrease in M&amp;A activity</li> <li>M&amp;A among ASX small caps index companies was down ~40% in H1 2020, compared with H1 2019</li> <li>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</li> <li>Australia has suffered its first recession in 30 years; its unemployment rate has hit a 19-year high of 7.1%</li> <li>Businesses continue to recalibrate their models, based on the changing and resetting demand and supply scenario</li> </ul>	<ul style="list-style-type: none"> <li>The outlook remains uncertain, although investor appetite has improved since March 2020, as various companies have raised capital to sustain themselves</li> <li>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</li> <li>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"> <li>M&amp;A activity expected to rise slowly during Q3 2020 and pick up pace in Q4 2020</li> </ul> </li> </ul>
	<b># of deals</b> 1,033 → 856 (17%)	2019 YTD 2020 YTD Global Economic Deal		
France	<b>Deal Volume</b> (34%) \$49 → \$32.5	100 → 100 → 100 73 → 46 → 28	<ul style="list-style-type: none"> <li>Total deal volume in the first eight months of 2020 was down 34% YoY to \$33 billion</li> <li>Pending mega deals include a \$10.1 billion merger between French payment processing giants Ingenico and Worldline</li> <li>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</li> <li>The steep decline in deal activity reflected a challenging macroeconomic backdrop               <ul style="list-style-type: none"> <li>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</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>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"> <li>Paris has allowed companies to declare <i>force majeure</i> if they are unable to honor a contract with the public sector</li> </ul> </li> <li>Deal processes that were put on ice are coming online               <ul style="list-style-type: none"> <li>There is plenty of pent-up demand from private equity firms; GDP growth prospects are brighter than they were a few months ago</li> </ul> </li> <li>Both exports and imports seem to have stabilized; a downside to exports could be the impact of additional US tariffs on French goods</li> <li>The domestic market remains strong, due to which demand for manufactured goods has not weakened as much as in other Eurozone countries</li> </ul>
	<b># of deals</b> 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@evaluateserve.com](mailto:Nishant.Gupta@evaluateserve.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@evaluateserve.com](mailto:Deepesh.Bhatnagar@evaluateserve.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@evaluateserve.com](mailto:Abhinav.Dubey@evaluateserve.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@evaluateserve.com](mailto:Saurav.Aggarwal@evaluateserve.com)

*Evalueserve's Corporate and Investment Banking (CIB) practice works with bulge bracket banks, large global banks, commercial banks and boutique advisory firms. Our key practice areas include Sector and Product support, Lending & Credit support, Business Information / Library Services, Presentation Support services and Business Management Reporting. In addition, our proprietary technology platform helps streamline and automate workflows, re-use work products through knowledge management and automate repetitive tasks.*

*For more information, please visit : <https://www.evaluateserve.com/industry/financial-services/>*