

Global M&A market sees exceptional rebound in activity in final quarter of 2020



As COVID dragged M&A activity to its lowest level in years, buyers in North America bounced back in the final three months to record their best quarter-on-quarter performance.

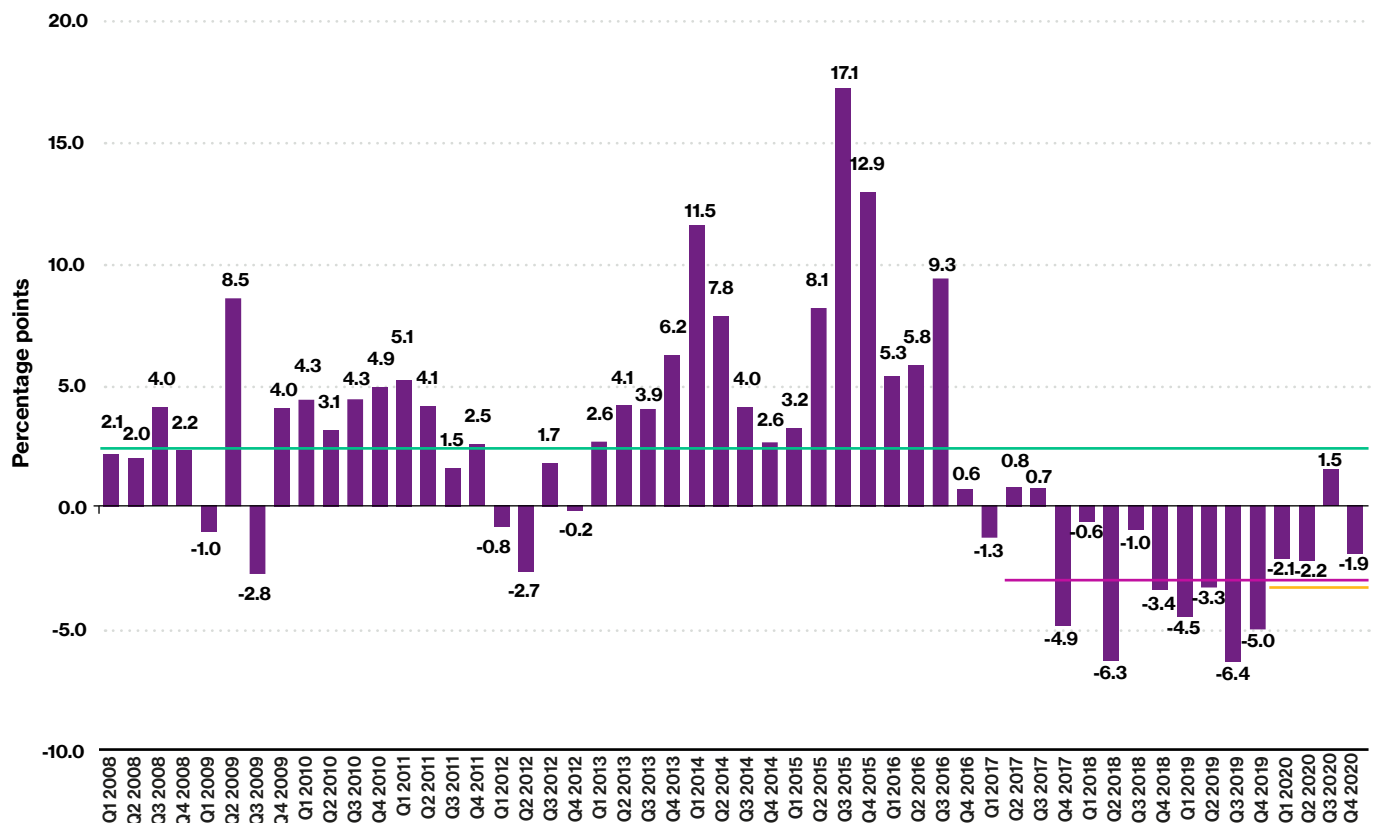
Global mergers and acquisitions (M&A) activity in 2020 fell to its lowest level since the aftermath of the financial crisis over a decade ago, despite a surge in dealmaking in the final three months, according to latest research on completed deals from Willis Towers Watson's Quarterly Deal Performance Monitor (QDPM).

Run in partnership with the M&A Research Centre at The Business School (formerly Cass), the data reveals that

companies worldwide completed just 674 deals valued over US\$100 million in 2020¹, significantly less than the previous year (774) and the lowest annual volume since 2009 (322).

Acquirers worldwide have now on average failed to add value from transactions for four consecutive years, based on share-price performance, having underperformed the Global Index by -1.9pp (percentage points) over the past year.

Figure 1. M&A quarterly analysis – global performance



— The green line above (2.2pp) shows the median adjusted performance of all acquirers throughout the period.

— The magenta line above (-3.2pp) shows the median adjusted performance of all acquirers over a three year rolling period.

— The yellow line above (-3.3pp) shows the median adjusted performance of all acquirers over one year rolling period.

NB: The share price returns have been adjusted to Index returns over the corresponding period. The MSCI World Index is used as default, unless stated otherwise.

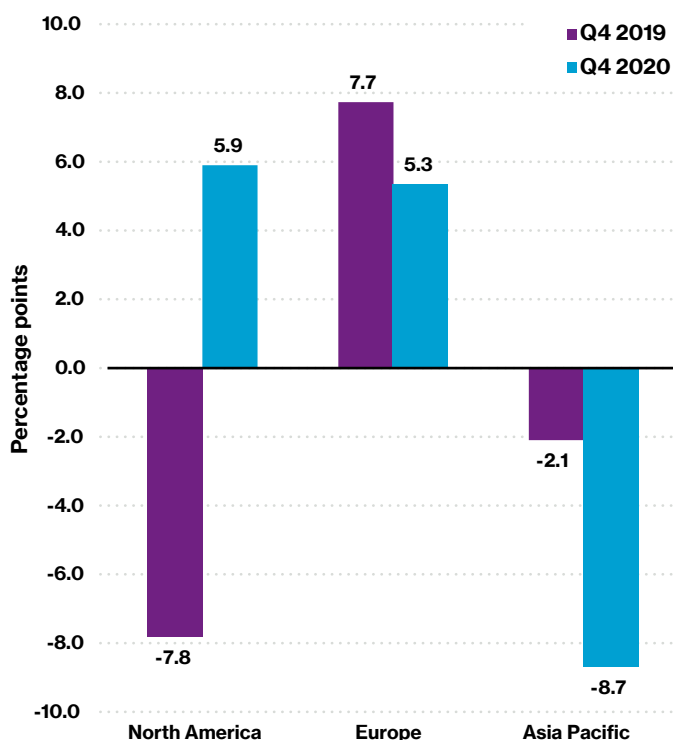
¹The M&A research tracks the number of completed deals over US\$100m and the share price performance of the acquiring company against the MSCI World Index, which is used as default, unless stated otherwise.

Despite the deadening impact of COVID-19 on M&A activity for much of 2020, the QDPM data revealed a sharp rise in volume in the final quarter.

Despite the deadening impact of COVID-19 on M&A activity for much of 2020, the QDPM data revealed a sharp rise in volume in the final quarter with 246 deals completed worldwide, compared to 210 in Q4 2019, including the highest ever number of large deals² completed in a final quarter (61). This resurgence has so far been driven by a strong uptick in activity by North American buyers with a record number of deals (136) for a final quarter, matched by the region's first positive quarterly performance in three years.

European buyers maintain their resilient form by outperforming their regional index by +5.3pp in Q4, while U.K. acquirers continue to shrug off Brexit challenges by beating the European Index by +4.1pp for the full year. Market conditions in the Asia Pacific region remain volatile following a negative quarterly performance of -8.7pp.

Figure 2. M&A Regional Analysis – Q4 2019 and Q4 2020



NB: The share price returns have been adjusted to Index returns over the corresponding period.

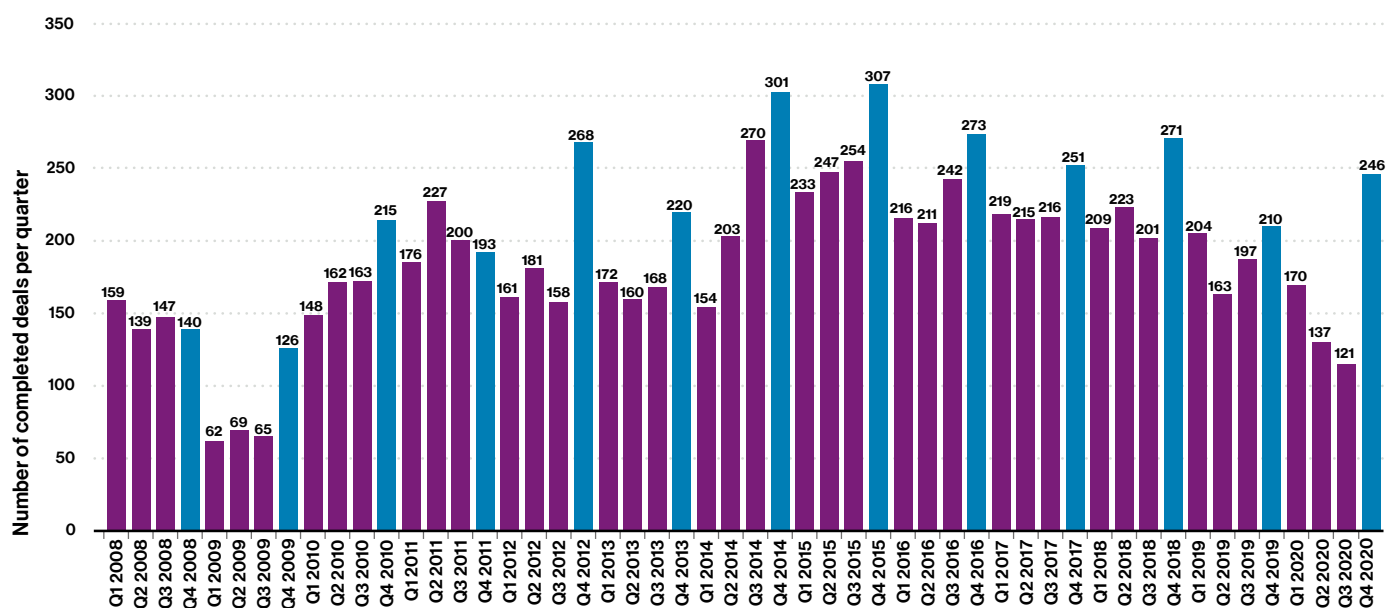


The year 2020 has been unlike anything we've ever seen, fuelled by an enduring pandemic, massive economic uncertainty, a highly divisive U.S. presidential election and rising geopolitical tensions. While the world in 2021 remains a volatile place, pent-up demand, ample funding, ultra-low interest rates and confidence returning to boardrooms indicate conditions are ripe for one of the biggest M&A years on record.

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 Willis Towers Watson

²Completed M&A deals with a value between US\$1 billion and US\$10 billion.

Figure 3. M&A quarterly analysis – global volume



Five M&A trends for 2021

Despite the uncertain economic outlook, conditions are primed for a dealmaking surge in 2021, with our data suggesting a rally may have already begun. That said, the road to recovery will not be smooth. Jana Mercereau shares her top trends for the year ahead.

1. An increasingly bipolar world

When President-elect Biden takes office, a straightforward shift from the isolationist stance of President Trump's administration to more internationally expansive market conditions is unlikely. Instead, a geopolitical and macroeconomic environment dominated by tensions between the U.S. and China is expected, with emerging economies largely aligning with China, and Europe caught in between.

2. COVID: A race against time

Governments are running out of cash, spending trillions to keep businesses and jobs afloat in the hope of a jump-start in 2021. Will economies warm up in time or will the fallout from the pandemic be worse this year, triggering a wave of insolvency that overwhelms the global economy, crushing any prospect of recovery in the short term?

Some sectors have already reached their 'tipping point'. Accelerated consolidation, restructuring and divestitures will dominate the travel, retail and real estate sectors.

COVID-19 has also seen a quantum leap in the rate of digital adoption in financial services. In particular, the shift to remote working practices precipitated by the pandemic and calls to pursue a 'green' economic recovery are expected to drive M&A activity in the tech sector in 2021 and beyond.

3. Remapping the geography of M&A

Turbocharged by the pace of technology adoption during the pandemic, the criteria for dealmaking have substantially changed, with location slipping down the priority list for acquirers when targeting companies.

Instead of searching in Manhattan or London, a major bank looking to buy a fintech, for example, is increasingly likely to look beyond the borders of Europe and North America to new markets to access the right talent. The implications for the M&A market in 2021 and longer term will be significant.

Five M&A trends for 2021 (continued)

4. SPACs on the rise

The evolution of Special Purpose Acquisition Companies (SPACs) in the U.S. has been dramatic, with 2020 a record-breaking year for the 'blank cheque' firms. Despite significant growth (350% increase year on year), they still represent only a small fraction of the overall M&A market (<1%). Their strong track record, however, is intensifying pressure on regulators in other countries to relax rules and allow SPACs to operate in their markets. With questions over due diligence yet to be resolved, a new wave of SPACs seeking acquisition targets outside of North America in 2021 is more likely to be seen in markets less tightly regulated than Europe. Time will tell how many of these ventures will be successful.

5. Post-Brexit: What next for U.K. financial services?

Since the Brexit vote in 2016, M&A activity has continued in the U.K. and Europe against a backdrop of political and economic uncertainty. While December's last-minute deal ensures tariff-free trade will continue, how financial services will be affected remains unclear. This uncertainty will inevitably lead to some market volatility and disruption, creating M&A opportunities in 2021 for U.K. businesses and overseas buyers, as some sectors benefit from severing ties with the European Union, whilst others struggle.



Following a rollercoaster year for M&A, firms will continue to look to build resilience to withstand future shocks or crises, with an increasing number of transactions across all sectors focused on diversification and capturing long sought-after capabilities.

Mercereau said: "The pandemic demonstrated a need for companies to double-down on efforts to adopt innovation into existing business models and focus on a digital approach to build new routes to market. Following a rollercoaster year for M&A, firms will continue to look to build resilience to withstand future shocks or crises, with an increasing number of transactions across all sectors focused on diversification and capturing long sought-after capabilities.

"That said, dealmakers should not assume a corner has been turned, with uncertainty set to remain. It will be as critical as ever for acquirers to pick their targets carefully for growth, before jumping into a deal if they are to give themselves the best chance of success. A dedicated focus on HR and people-related risks during due diligence and integration can help achieve this."

Further information

For further information about the research, or for help with your M&A activity, please contact:

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Willis Towers Watson QDPM methodology

- All analysis is conducted from the perspective of the acquirer.
- Share-price performance within the quarterly study is measured as a percentage change in share price from six months prior to the announcement date to the end of the quarter.
- All deals where the acquirer owned less than 50% of the shares of the target after the acquisition were removed, hence no minority purchases have been considered. All deals where the acquirer held more than 50% of target shares prior to the acquisition have been removed, hence no remaining purchases have been considered.
- Only completed M&A deals with a value of at least US\$100 million which meet the study criteria are included in this research.
- Deal data sourced from Refinitiv.



Appendix

Appendix A. M&A deal type analysis

	Q4 2019	Q3 2020	Q4 2020	2019	2020
Mega deals (over or equal US\$10bn)	0.5	25.1	-17.3	-6.1	-2.3
Large deals (over or equal to US\$1bn)	-1.8	-11.3	5.1	-1.3	-2.1
Medium-sized deals (under US\$1bn)	-6.5	2.2	-2.1	-6.5	-1.5
Domestic	-8.8	1.9	-2.3	-7	-2.2
Cross-border	4.4	-1.5	1.7	-1.2	0.4
Intra-regional	-7	1.9	-1.8	-6.6	-2.2
Cross-regional	2.7	-1.5	-1	-1.2	2.9
Intra-sector	-5.9	-3.8	-3.6	-5.5	-5
Cross-sector	-1.6	7.7	7.5	-3.5	5.6
Quick deals	-3.5	3.2	-0.5	1.9	1.1
Slow deals	-5.9	-4.6	-2.3	-9.2	-2.3

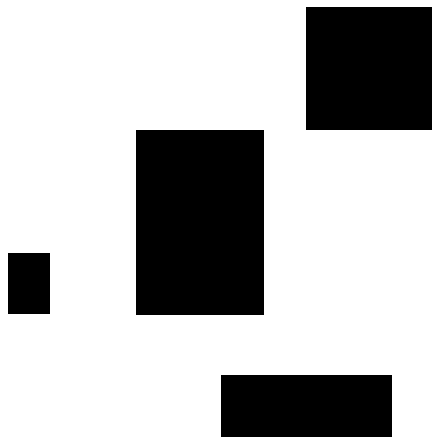
NB: The share price returns have been adjusted to Index returns over the corresponding period. The MSCI World Index is used as default, unless stated otherwise. 'Quick' deals refer to those transactions which had a median time to completion of less than 70 days, whereas 'slow' deals are those which had a time to completion more than or equal to 70 days for the period. Note that the sub-sample analyses for which the data points have grey coloured font include fewer than 25 deals, i.e. below our significance level, and should, therefore, be viewed as indicative.

Appendix B. Deal volumes and values by industry and region: Q4 2020

	Q4 2020	Median Deal Value (\$m)
All	246	422
Asia-Pacific	56	295
Europe	45	421
North America	136	535
Rest of the world	9	171
Consumer Products & Services	15	245
Consumer Staples	16	405
Energy & Power	22	473
Financials	61	525
Healthcare	27	423
High Technology	40	440
Industrials	24	390
Materials	19	285
Media & Entertainment	6	761
Retail	8	345
Telecommunications	8	458
Domestic	174	461
Cross-border	72	405
Asia-Pacific	12	281
Europe	32	340
North America	27	528
Rest of the world	1	360
Intra-regional	201	454
Cross-regional	44	346
Asia-Pacific	9	258
Europe	17	262
North America	18	589
Rest of the world	-	-
Intra-sector	144	423
Cross-sector	102	420
Asia-Pacific	24	257
Europe	14	271
North America	61	528
Rest of the world	3	137
Quick deals	121	377
Slow deals	125	525
Large deals (over or equal to US\$1bn)	61	2,170
Mega deals (over or equal to US\$10bn)	7	

Appendix C. Top 25 deals YTD 2020

Date Announced	Date Effective	Acquirer Name	Target Name	Value of Transaction (\$ mil)
11/06/2020	30/11/2020	Unilever PLC	Unilever NV	81,056
27/03/2019	16/06/2020	Saudi Arabian Oil Co	SABIC	69,100
25/06/2019	08/05/2020	AbbVie Inc	Allergan PLC	62,117
25/11/2019	06/10/2020	Charles Schwab Corp	TD Ameritrade Holding Corp	28,305
29/04/2018	01/04/2020	T-Mobile US Inc	Sprint Corp	26,761
29/07/2019	16/11/2020	Mylan NV	Upjohn Inc	24,623
25/02/2019	31/03/2020	Danaher Corp	GE-Biopharma Business	21,400
13/09/2020	23/10/2020	Gilead Sciences Inc	Immunomedics Inc	20,775
05/08/2020	30/10/2020	Teladoc Health Inc	Livongo Health Inc	17,539
27/03/2019	23/01/2020	Centene Corp	WellCare Health Plans Inc	15,568
24/06/2019	20/07/2020	Eldorado Resorts Inc	Caesars Entertainment Corp	15,466
05/10/2020	17/11/2020	Bristol-Myers Squibb Co	MyoKardia Inc	13,775
20/02/2020	02/10/2020	Morgan Stanley	E*TRADE Financial Corp	13,137
19/07/2019	01/06/2020	Asahi Group Holdings Ltd	AB INBEV SA/NV-Carlton Brewer	11,320
06/08/2020	04/09/2020	Intercontinental Exchange Inc	Ellie Mae Inc	10,981
03/06/2019	16/04/2020	Infineon Technologies AG	Cypress Semiconductor Corp	9,847
17/12/2018	01/07/2020	Hitachi Ltd	ABB Ltd-Power Systems Division	9,400
30/04/2019	29/02/2020	Gardner Denver Holdings Inc	Ingersoll-Rand US Holdco Inc	8,736
16/11/2020	24/12/2020	Home Depot Inc	HD Supply Holdings Inc	8,713
03/02/2020	19/11/2020	Worldline SA	Ingenico Group SA	8,521
27/07/2019	31/01/2020	Takeaway.com NV	Just Eat PLC	8,157
30/06/2020	18/12/2020	Liberty Broadband Corp	GCI Liberty Inc	7,668
24/11/2019	06/01/2020	Novartis AG	The Medicines Co	7,384
24/02/2020	03/12/2020	Intuit Inc	Credit Karma Inc	7,100
29/07/2020	01/10/2020	Clarivate PLC	CPA Global Ltd	7,070



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