

Global M&A performance set for record-breaking year as market extends dramatic rally into the first quarter

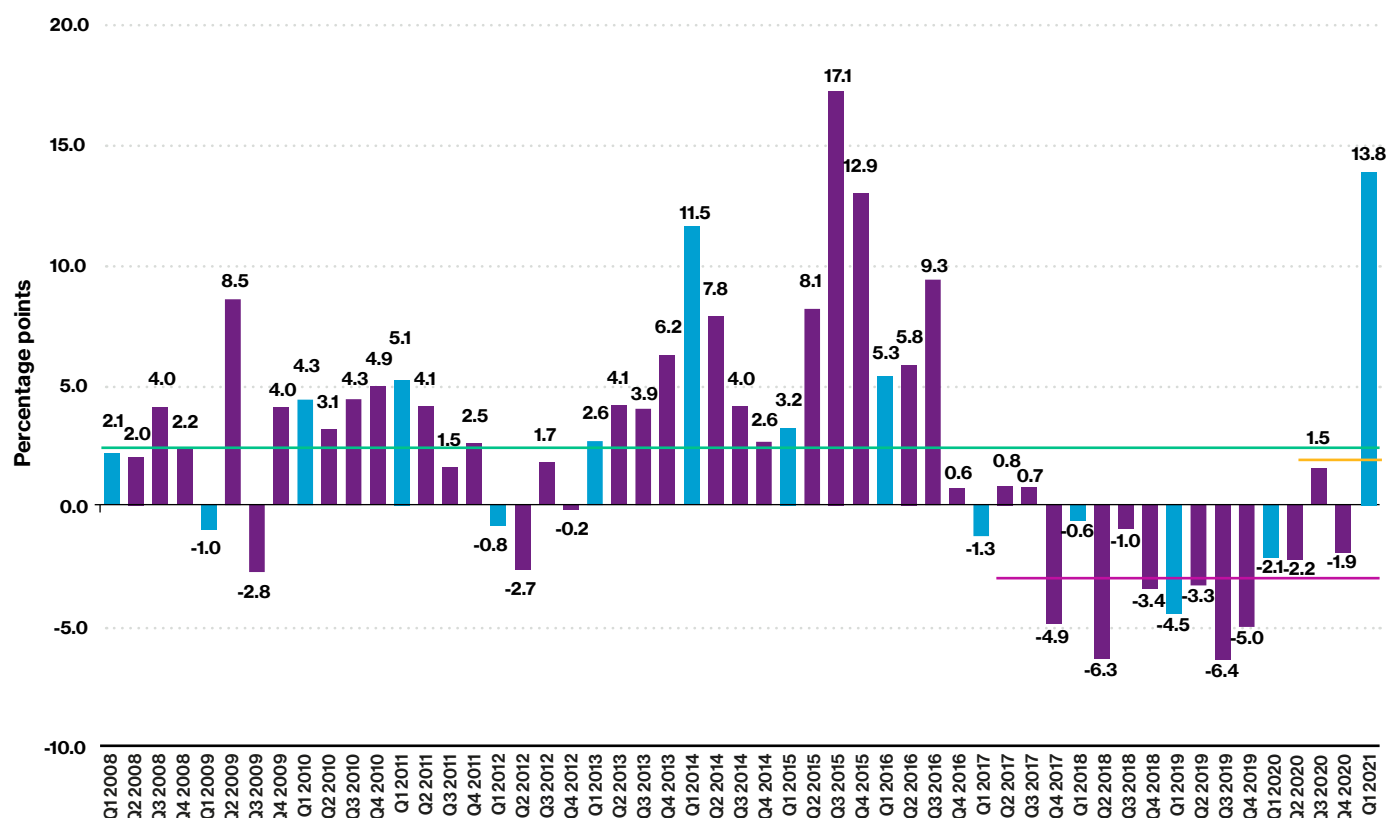


Dealmaking performance in the first three months of 2021 hits an all-time high for a first quarter since Willis Towers Watson's M&A Index launched over a decade ago.

Global mergers and acquisitions (M&A) performance surged in the first quarter of this year, continuing the momentum gained in the final months of 2020 and fuelled by a flurry of completed deals. From standstill to recovery, this represents an extraordinary rebound of deal activity and performance, even as ongoing waves of COVID-19 continue to trigger lockdowns and impact the world economy.

Based on share price performance, buyers outperformed the market¹ by +13.8pp (percentage points) for deals valued over US\$100 million in the first three months of 2021. These are the second highest figures for any quarter since Willis Towers Watson launched the Quarterly Deal Performance Monitor (QDPM) in 2011. The data also maintain the long-term trend for deals outperforming the market since the global financial crisis (+2.3pp).

Figure 1. M&A Deals Globally: Share price performance



— The green line above (2.3pp) shows the median-adjusted performance of all acquirers throughout the period.

— The magenta line above (-2.6pp) shows the median-adjusted performance of all acquirers over a three year rolling period.

— The yellow line above (2.1pp) 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.

¹ The 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.

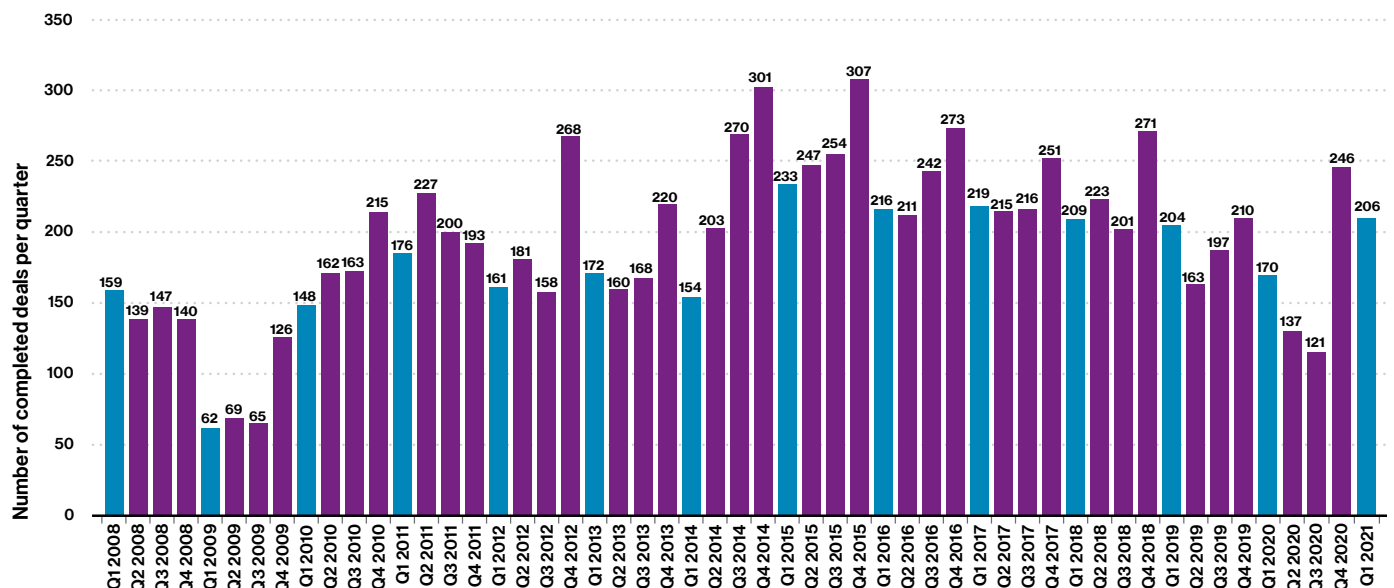


This activity represents an extraordinary rebound of deal activity and performance, even as ongoing waves of COVID-19 continue to trigger lockdowns and impact the world economy.

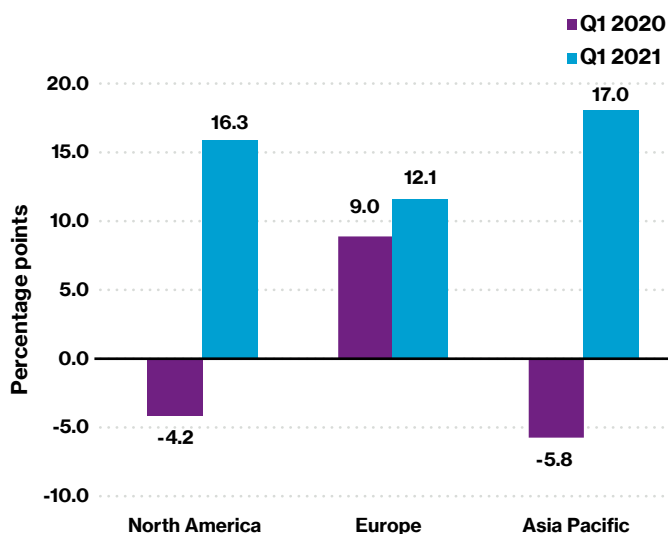
Run in partnership with the M&A Research Centre at The Business School (formerly Cass), the data underscore the scale of the rebound in dealmaking activity, which started toward the end of last year after plummeting in the early days of the pandemic. The number of deals was up by 21% from a year ago, with 206 deals completed in the first three months of 2021 (compared to 170 in Q1 2020).

This rise in deals is largely due to the North American region, where volumes were up 33% year on year, and makes Q1 2021 the region's second largest first quarter on record. North American acquirers also outperformed their regional index by +16.3pp – the second consecutive quarter the region has achieved a positive performance.

Figure 2. Global Deal Volume by Quarter



**Figure 3. M&A Deals Regionally:
Share price performance**



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.

Acquirers from Europe continued their strong form by outperforming their regional index by +12.1pp in Q1 2021, with UK buyers also adding value in this period. Meanwhile, Asia-Pacific acquirers strongly outperformed their regional index by +17.0pp.

The first three months of the year saw 58 large deals completed (deals in the range of \$1bn-\$10bn), compared to 44 in Q1 2020, which is the highest Q1 result since 2008. Dealmaking performance also improved in every sector of the economy – an almost unprecedented outcome.

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US-based deals are responsible for much of this remarkable resurgence in activity, which looks set to continue through 2021, fuelled by the Biden administration's US\$2 trillion infrastructure and economic stimulus plan, booming stock markets, vast sums of cash to deploy and sustained low interest rates.

Jana Mercereau
Head of Corporate M&A Consulting, Great Britain
Willis Towers Watson

Since the first half of 2020, when the spread of COVID-19 led to many deals being delayed, confidence has returned allied with a more pragmatic and strategic focus on owning the right portfolio of assets for the long run. A shrinking pool of targets and increasing competition; however, could put buyers under pressure to buy more quickly. With financial conditions still uncertain, dealmakers will need to resist the temptation to cut corners on due diligence and take the time to review their targets and understand which levers to pull to maximise growth.

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

	Q1 2020	Q4 2020	Q1 2021	2020	2021
Mega deals (over or equal US\$10bn)	24.9	-17.3	17.9	-2.3	17.9
Large deals (over or equal to US\$1bn)	-4.1	5.1	17.5	-2.1	17.5
Medium-sized deals (under US\$1bn)	-1.1	-2.1	10.2	-1.5	10.2
Domestic	0.3	-2.3	13.7	-2.2	13.7
Cross-border	-3.7	1.7	14.3	0.4	14.3
Intra-regional	-4.1	-1.9	12.5	-2.2	12.5
Cross-regional	4	-1	14.6	2.9	14.6
Intra-sector	-7.1	-3.6	9.7	-5	9.7
Cross-sector	5.4	7.5	20.5	5.6	20.5
Quick deals	2	-0.5	10.2	1.1	10.2
Slow deals	-5.4	-2.3	14.4	-2.3	14.4

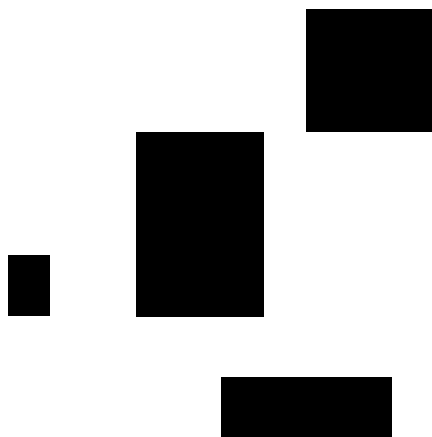
NB: The share price returns have been adjusted to Index returns over the corresponding period. The MSCI World Index is used as default, unless stated otherwise. 'Quick' deals refer to those transactions which had a median time to completion of less than 70 days, whereas 'slow' deals are those which had a time to completion more than or equal to 70 days for the period.

Appendix B. Deal volumes and values by industry and region: Q1 2021

	Q1 2021	Median Deal Value (US\$ m)
All	206	405
Asia Pacific	42	279
Europe	42	298
North America	113	475
Rest of the world	9	825
Consumer Products & Services	13	245
Consumer Staples	13	235
Energy & Power	24	646
Financials	52	828
Healthcare	23	440
High Technology	25	300
Industrials	22	298
Materials	22	332
Media & Entertainment	4	532
Retail	6	2,291
Telecommunications	2	4,134
Domestic	149	475
Cross-border	57	304
Asia Pacific	9	304
Europe	27	245
North America	21	348
Rest of the world	-	-
Intra-regional	168	440
Cross-regional	38	339
Asia Pacific	5	217
Europe	20	308
North America	13	400
Rest of the world	-	-
Intra-sector	126	403
Cross-sector	80	436
Asia Pacific	19	275
Europe	14	330
North America	43	640
Rest of the world	4	434
Quick deals	95	230
Slow deals	111	1,166
Large deals (over or equal to US\$1bn)	58	2,250
Mega deals (over or equal to US\$10bn)	5	

Appendix C. Top 25 deals: Q1 2021

Date Announced	Date Effective	Acquirer Name	Target Name	Value of Transaction (US\$ m)
15/12/2019	01/02/2021	International Flavors & Fragra	Dupont-Nutrition & Biosciences	33,500
27/07/2019	29/01/2021	London Stock Exchange Grp PLC	Refinitiv	26,988
23/09/2020	21/01/2021	Gores Holdings IV Inc	United Wholesale Mortgage LLC	16,237
28/10/2019	07/01/2021	LVMH Moët Hennessy LV SE	Tiffany & Co	16,008
18/11/2019	01/03/2021	Z Holdings Corp	Line Corp-All Business	10,858
21/08/2020	25/01/2021	Nippon Paint Holdings Co Ltd	Nipsea Pte Ltd	9,922
19/10/2020	15/01/2021	ConocoPhillips	Concho Resources Inc	9,679
18/11/2019	01/03/2021	SoftBank Corp	LINE Corp	8,151
21/09/2020	09/03/2021	Microsoft Corp	ZeniMax Media Inc	7,500
08/10/2020	01/03/2021	Morgan Stanley	Eaton Vance Corp	6,859
07/12/2020	30/03/2021	Foley Trasimene Acq Corp II	Paysafe Group PLC	5,614
18/11/2020	24/03/2021	CIIG Merger Corp	Arrival SARL	5,338
03/09/2020	26/03/2021	CaixaBank SA	Bankia SA	5,140
09/07/2019	01/03/2021	Cisco Systems Inc	Acacia Communications Inc	5,032
25/08/2020	19/03/2021	AVEVA Group PLC	OSIsoft LLC	5,017
20/10/2020	12/01/2021	Pioneer Natural Resources Co	Parsley Energy Inc	4,540
06/10/2020	07/01/2021	Social Capital Hedosophia III	Clover Health Investments Corp	4,304
13/12/2019	03/03/2021	Delivery Hero SE	Woowa Brothers Corp	4,130
07/07/2020	04/01/2021	Allstate Corp	National General Holdings Corp	3,707
24/07/2020	05/01/2021	NRG Energy Inc	Direct Energy LP	3,625
06/08/2019	05/03/2021	Mastercard Inc	Nets A/S-Acount-To-Account Pay	3,193
19/11/2020	01/02/2021	West Fraser Timber Co Ltd	Norbord Inc	3,044
25/10/2020	04/01/2021	Cenovus Energy Inc	Husky Energy Inc	2,933
19/06/2020	29/01/2021	Dalian Port (PDA) Co Ltd	Yingkou Port Liability Co Ltd	2,844
06/10/2020	31/03/2021	Premier Oil PLC	Chrysaor Holdings Ltd	2,809



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