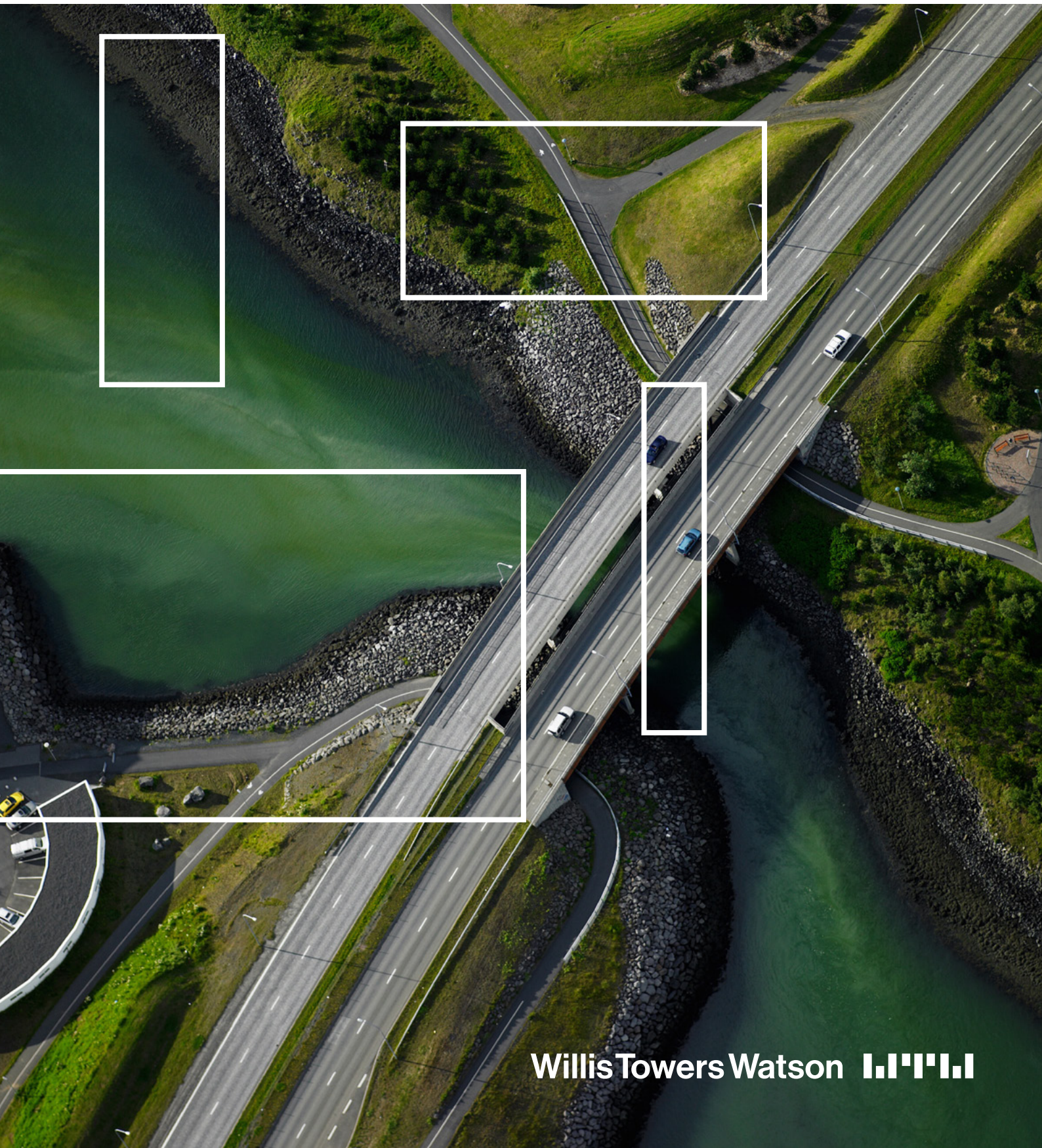


M&A performance in North America and Europe keeps pace with record rate

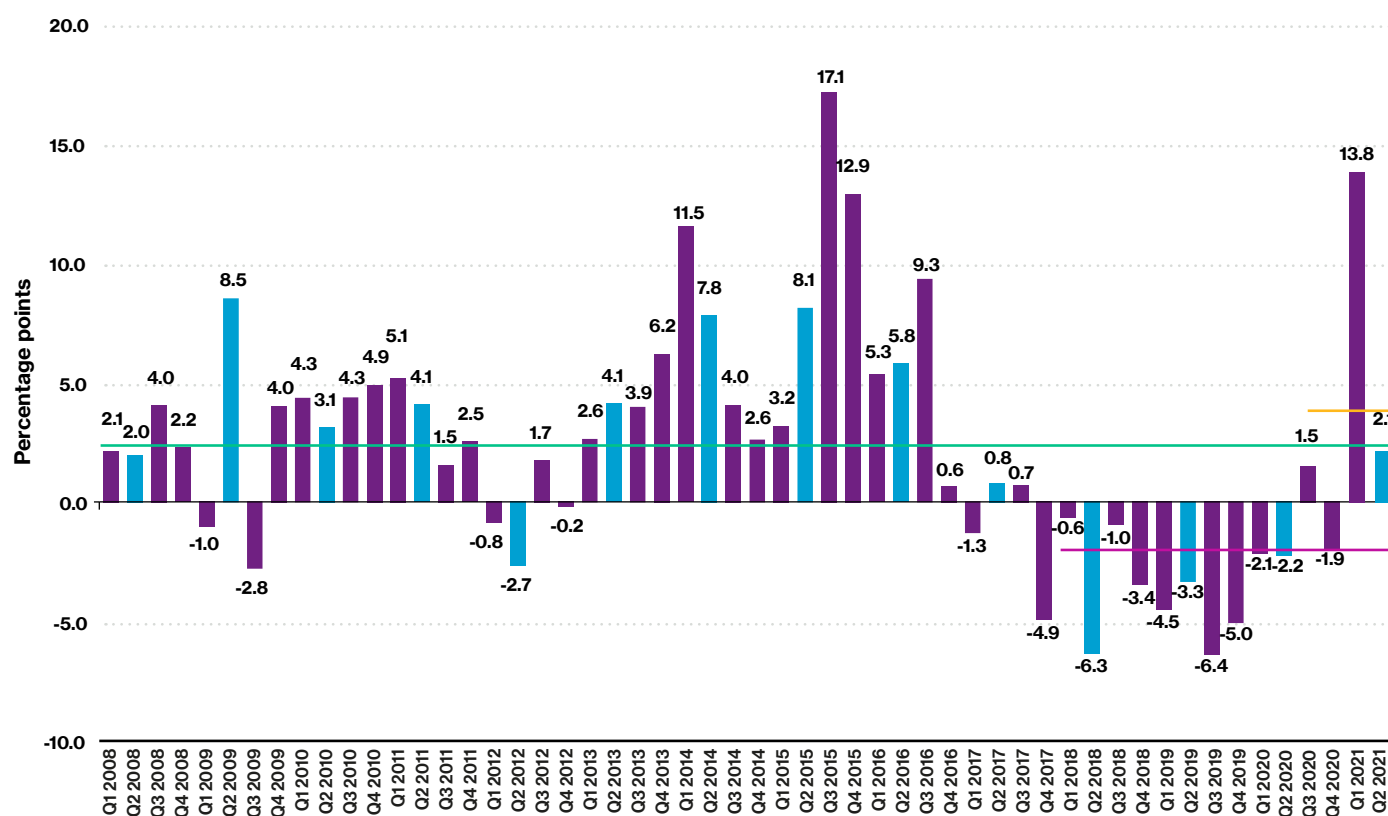


For the first time in four years, dealmaking performance beats non-acquirers for second consecutive quarter.

Global merger and acquisition (M&A) activity set new records in the second quarter, eclipsing previous highs reached in the first three months of the year and putting 2021 on track to be the most active year ever. The unprecedented surge in dealmaking follows a robust rebound in economic confidence, as companies race to remake themselves in the face of a post-COVID world and sweeping technological change.

Based on share price performance, buyers outclassed the wider market¹ by +2.1pp (percentage points) for deals valued over \$100 million in the second quarter of 2021. According to Willis Towers Watson's Quarterly Deal Performance Monitor (QDPM), this is the first time since 2017 that acquirers have managed to outperform for two consecutive quarters. For the one year rolling period, acquirers bettered the M&A index by +3.2pp on the back of a very strong first quarter.

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 (-2.0pp) shows the median-adjusted performance of all acquirers over a three year rolling period.

— The yellow line above (3.2pp) 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 \$100m and the share price performance of the acquiring company against the MSCI World Index, which is used as default, unless stated otherwise.

U.S. deal volume up 244% in Q2 2021 compared to Q2 2020 and up 58% since Q1 2021

This is one of the busiest times we've ever seen, with the M&A market in full-rebound mode across nearly every sector, propelled by cash-rich corporates under pressure to reorganise in response to COVID.

Concerns persist that inflation could spike later this year, triggering a hike in interest rates and an end to a record M&A boom. However, such fears seem premature with the current frenzy of activity fuelled by market dynamics likely to sustain or even accelerate deal flow in the second half of 2021, namely ongoing pressure to deploy capital, acquire technological capabilities and respond to rising shareholder activism.

Run in partnership with the M&A Research Centre at The Business School (formerly Cass), the data show that the surge in deals and improved performance, which started toward the end of 2020 after plummeting in the early days of the pandemic, remains largely due to activity in North America and Europe.

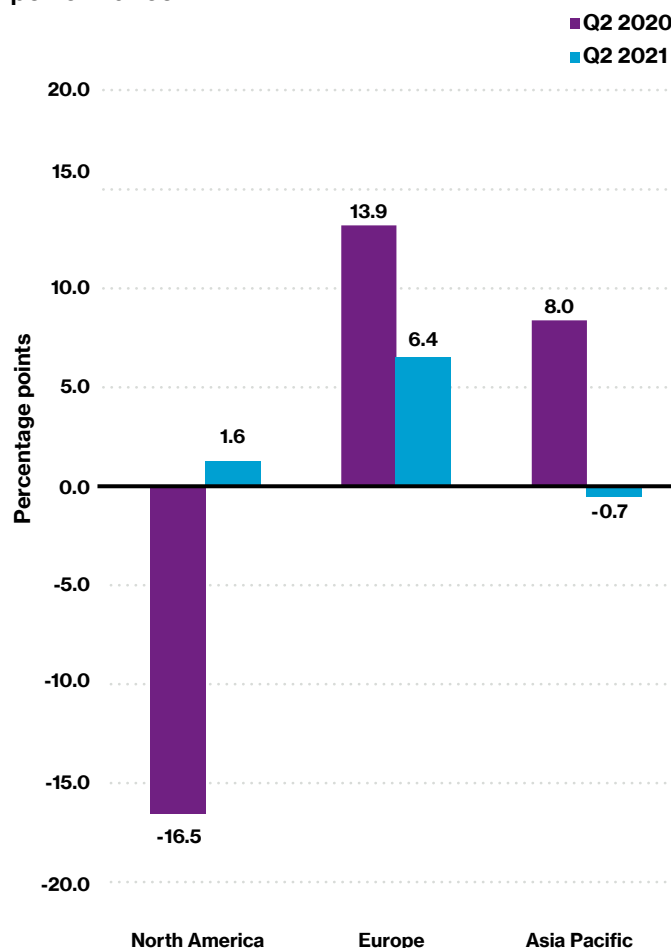
For the third consecutive quarter, with SPACS continuing to play a large part, North American acquirers outperformed their regional index (+1.6pp), as volumes increased sharply by 58% since the previous quarter and by 244% compared to Q2 2020 (52 to 179 deals), resulting in the region's highest ever figures for any quarter since 2008.

Buyers from Europe continued their strong form by outperforming their regional index by +6.4pp with a burst of activity in Q2 2021 and 59 deals completed. This too was an all-time high for a second quarter. Meanwhile, Britain clearly remains an attractive M&A destination for non-UK acquirers who, undeterred by Brexit and a strong FTSE 100 performance, continue to demonstrate interest in buying UK companies. UK-based dealmakers also consistently outperformed their regional index over the last 12 months (+11.4pp).

In contrast, Asia-Pacific acquirers underperformed their regional index by -0.7pp with only 32 deals closing in Q2 2021, the lowest since 2014. China also completed the smallest number of deals since 2013, as Chinese acquisition volumes continue to fade from a peak in 2015.



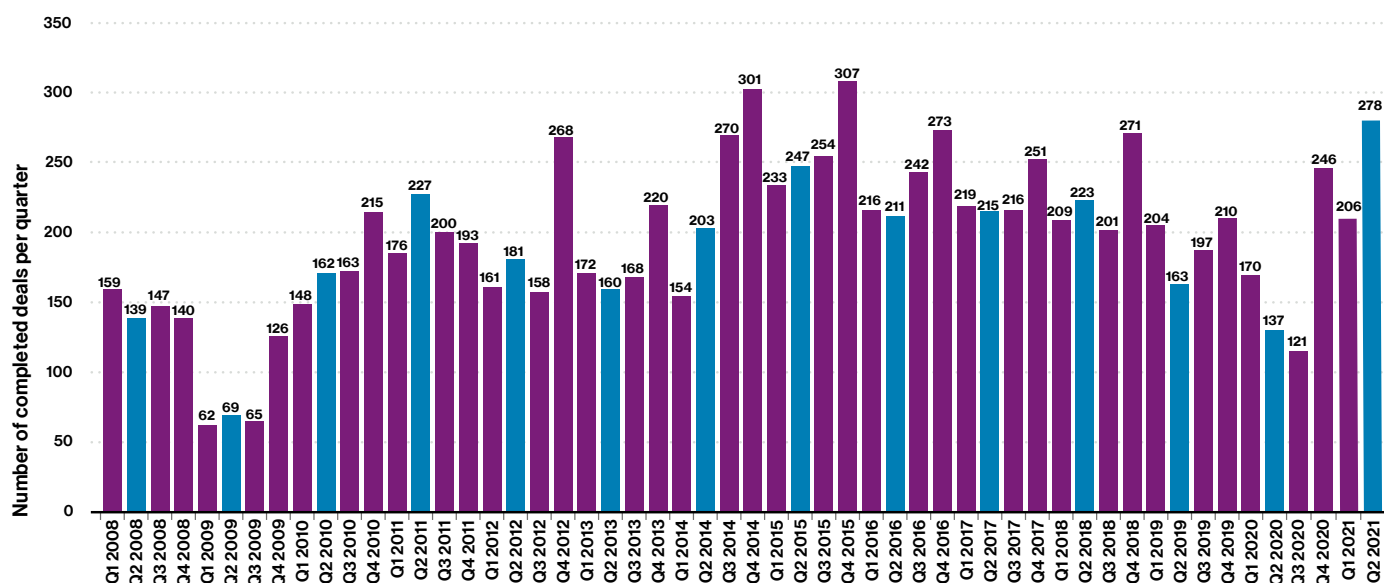
Figure 2. M&A deals regionally: share price performance



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.

Europe dealmaking in Q2 2021 up 40%, but Asia Pacific market sees sharp slowdown

Figure 3. Global deal volume by quarter



M&A activity has clearly continued the momentum gained following an explosive first three months of 2021 as acquisition-hungry buyers completed more deals than any second quarter on record (278 deals), according to these latest results from the Willis Towers Watson index. This is a significant upswing, even when compared to the brisk pace set in the first quarter of 2021 (206 deals).

The data reveals that the first half of the year has also been a record-breaking period with 484 deals completed, 58% higher than the same period in 2020 (307 deals), when the global economy came to a halt because of the pandemic. This is the highest ever figure recorded for the January to June period since Willis Towers Watson launched its M&A index in 2008.

Companies are pressing the reset button in response to the pandemic, restructuring to build resilience, reduce costs and reposition for future growth, effectively accelerating pre-existing trends such as digital transformation and changes in consumer behaviour. Robust sell-side activity driven by companies continuing to divest non-core assets points to a strong M&A outlook for the remainder of 2021.

Post-COVID, attention will return to the growing wave of decarbonisation, perhaps the greatest global disrupter in the years and decades to come. As more companies commit to wholesale transformation of business and operating models to meet aggressive net-zero goals, M&A looks certain to play a pivotal part in this low carbon transition. In a process that will create winners and losers, quality due diligence and improved integration will become increasingly important for successful, profitable and equitable deals.

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Companies are pressing the reset button in response to the pandemic, restructuring to build resilience, reduce costs and reposition for future growth.

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

Further information

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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

	Q2 2020	Q1 2020	Q2 2021	2020	YTD-2021
Mega deals (over or equal US\$10bn)	-7.2	17.9	-8.4	-2.3	-6.7
Large deals (over or equal to US\$1bn)	-1.8	17.5	2	-2.1	6.9
Medium-sized deals (under US\$1bn)	-6.3	10.2	3.2	-1.5	6.5
Domestic	-5.6	13.7	2.8	-2.2	6.7
Cross-border	0.9	14.3	2.9	0.4	8.2
Intra-regional	-7.7	12.5	3.6	-2.2	6.9
Cross-regional	9.6	14.6	0.7	2.9	3.9
Intra-sector	-8.9	9.7	5.5	-5	9.1
Cross-sector	4.3	20.5	-0.3	5.6	4.5
Quick deals	-3.4	10.2	5.2	1.1	8.2
Slow deals	-2.2	14.4	-3.5	-2.3	5.5

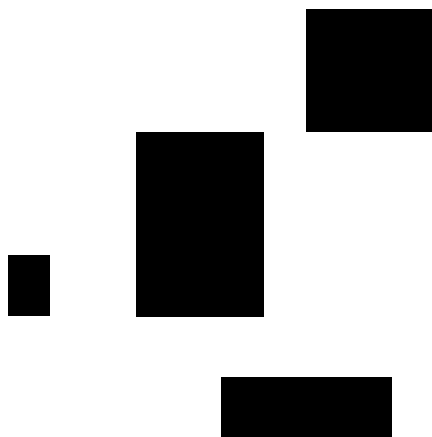
NB: The share price returns have been adjusted to Index returns over the corresponding period. The MSCI World Index is used as default, unless stated otherwise. 'Quick' deals refer to those transactions which had a median time to completion of less than 70 days, whereas 'slow' deals are those which had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

Appendix B. Deal volumes and values by industry and region: Q2 2021

	Q2 2021	Median Deal Value (US\$ m)
All	278	414
Asia Pacific	32	223
Europe	59	388
North America	179	470
Rest of the world	8	528
Consumer Products & Services	23	420
Consumer Staples	9	425
Energy & Power	27	312
Financials	74	894
Healthcare	36	304
High Technology	42	437
Industrials	18	322
Materials	20	214
Media & Entertainment	16	320
Retail	9	255
Telecommunications	4	235
Domestic	186	423
Cross-border	92	383
Asia Pacific	8	242
Europe	48	415
North America	32	496
Rest of the world	4	311
Intra-regional	217	403
Cross-regional	61	450
Asia Pacific	5	370
Europe	29	388
North America	24	556
Rest of the world	3	409
Intra-sector	162	423
Cross-sector	116	394
Asia Pacific	14	196
Europe	20	450
North America	80	629
Rest of the world	2	160
Quick deals	127	286
Slow deals	151	790
Large deals (over or equal to US\$1bn)	80	1,880
Mega deals (over or equal to US\$10bn)	5	

Appendix C. Top 25 deals: Q2 2021

Date Announced	Date Effective	Acquirer Name	Target Name	Value of Transaction (US\$ m)
02/08/2020	14/05/2021	7-Eleven Inc	Speedway LLC	21,000
02/08/2020	15/04/2021	Siemens Healthineers AG	Varian Medical Systems Inc	16,365
25/06/2020	01/04/2021	National Commercial Bank SJC	Samba Financial Group SJC	14,678
16/11/2020	01/06/2021	PNC Finl Services Group Inc	BBVA USA Bancshares Inc	11,600
21/03/2021	28/06/2021	Thoma Bravo Advantage	Ironsource Ltd	10,000
21/07/2020	25/06/2021	Adevinta ASA	eBay Classifieds Holding BV	8,844
29/10/2020	20/04/2021	Marvell Technology Group Ltd	Inphi Corp	8,327
04/01/2021	14/05/2021	Teledyne Technologies Inc	FLIR Systems Inc	7,501
10/06/2020	15/06/2021	Just Eat Takeaway.Com NV	Grubhub Inc	7,326
03/02/2021	05/05/2021	Jazz Pharmaceuticals PLC	GW Pharmaceuticals PLC	6,827
02/12/2020	20/05/2021	Altimar Acquisition Corp	Dyal Capital Partners LP	6,683
07/01/2021	28/05/2021	Social Capital Hedosophia V	Social Finance Inc	6,570
03/03/2021	03/05/2021	Okta Inc	Auth0 Inc	6,253
01/04/2021	04/05/2021	Pioneer Natural Resources Co	Double Eagle III Midco 1 LLC	6,220
13/12/2020	09/06/2021	Huntington Bancshares Inc,OH	TCF Financial Corp	5,921
02/12/2020	20/05/2021	Altimar Acquisition Corp	Owl Rock Capital Grp	5,468
12/08/2020	07/04/2021	Liberty Global PLC	Sunrise Commun Grp Ag	5,448
26/10/2020	21/04/2021	Coca-Cola Eurpn Partnrs PLC	Coca-Cola Amatil Ltd	5,173
12/11/2020	03/06/2021	Jaws Acquisition Corp	Cano Health LLC	3,936
24/11/2020	16/06/2021	FS KKR Capital Corp	FS KKR Capital Corp II	3,644
04/02/2021	16/06/2021	VG Acquisition Corp	23andMe Inc	3,600
03/02/2021	25/06/2021	FTAC Olympus Acquisition Corp	Payoneer Inc	3,540
07/01/2021	01/04/2021	LafargeHolcim Ltd	Firestone Bldg Prod Co LLC	3,400
11/02/2021	07/06/2021	Hormel Foods Corp	Kraft Heinz Co-Planters Snack	3,350
03/03/2021	15/04/2021	Apollo Global Management Inc	The Michaels Cos Inc	3,255



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Willis Towers Watson's M&A practice combines our expertise in risk and human capital to offer a full range of M&A services and solutions covering all stages of the M&A process. We have particular expertise in the areas of planning, due diligence, risk transfer and post transaction integration, areas that define the success of any transaction.

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