

Global M&A activity remains on track for record-breaking year

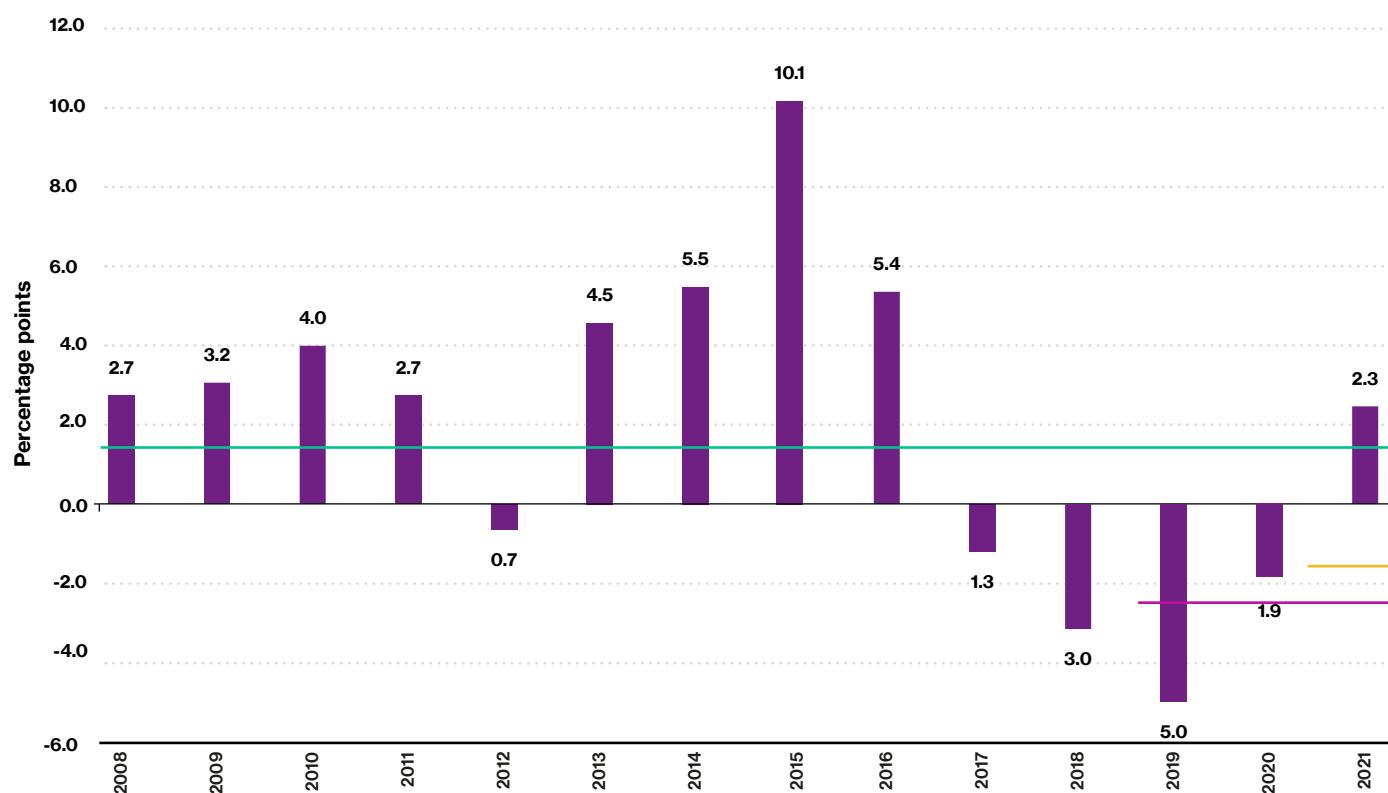


Dealmaking is set to overtake previous all-time highs, fuelled by returning optimism, pent up demand and investors flush with cash.

Global acquirers are on track to record their first annual market outperformance since 2016, according to latest results from Willis Towers Watson's Quarterly Deal Performance Monitor (QDPM). Companies closing deals have on average outperformed the World Index¹ by +2.3pp (percentage points) during the first nine months of 2021, boosted in particular by strong performances in the first two quarters.

Deal volume in the last three months is the second highest ever recorded for a third quarter, with 264 deals over \$100m in value completed in Q3 2021², and more than double the volume of M&A deals compared to the corresponding quarter in 2020. At this pace, with 748 deals completed so far this year, total M&A activity for 2021 could overtake the all-time high of 1,041 completed deals recorded in 2015, according to data compiled by Willis Towers Watson and the M&A Research Centre at The Bayes Business School (formerly Cass).

Figure 1. M&A yearly analysis



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

— The magenta line above (-1.9pp) shows the median-adjusted performance of all acquirers over a three year rolling period.

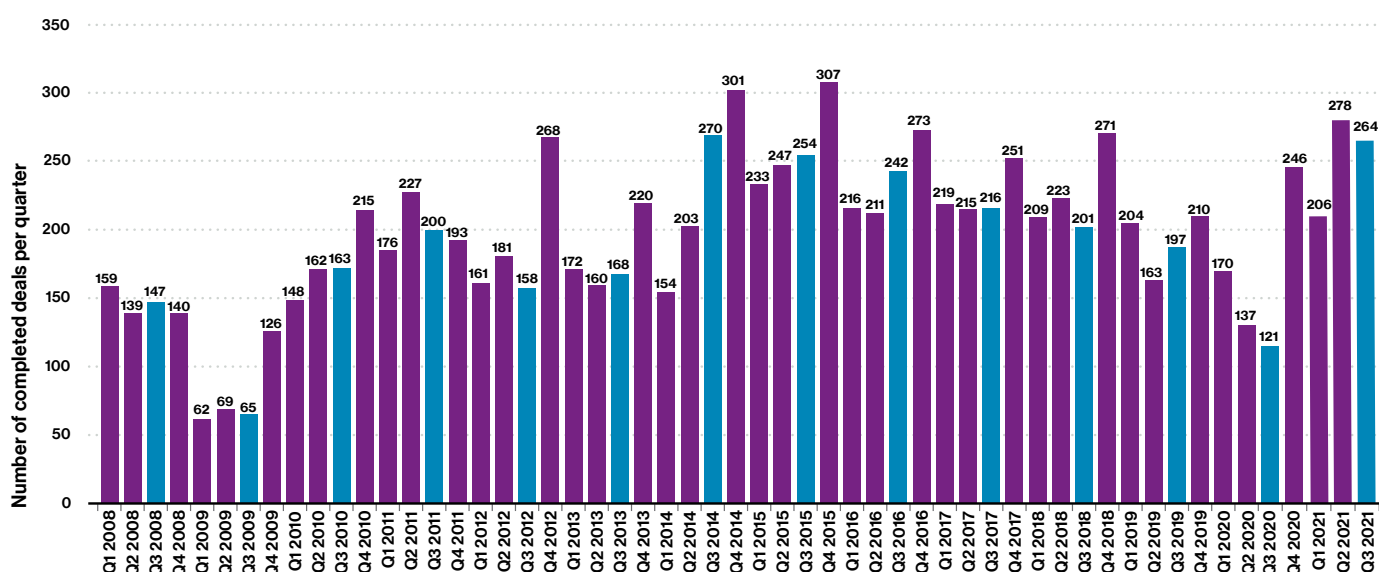
— The yellow line above (0.6pp) shows the median-adjusted performance of all acquirers over one-year rolling period.

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.

² The QDPM research for Q3 2021 includes deals completed between 1st July 2021 and 24th September 2021. We anticipate the current number of deals of 264 to increase by quarter end.

Figure 2. Global deal volume by quarter



The surge in deals has primarily been driven by a sharp rise in activity by North American buyers, responsible for more than half of all deals completed globally during Q3 2021.

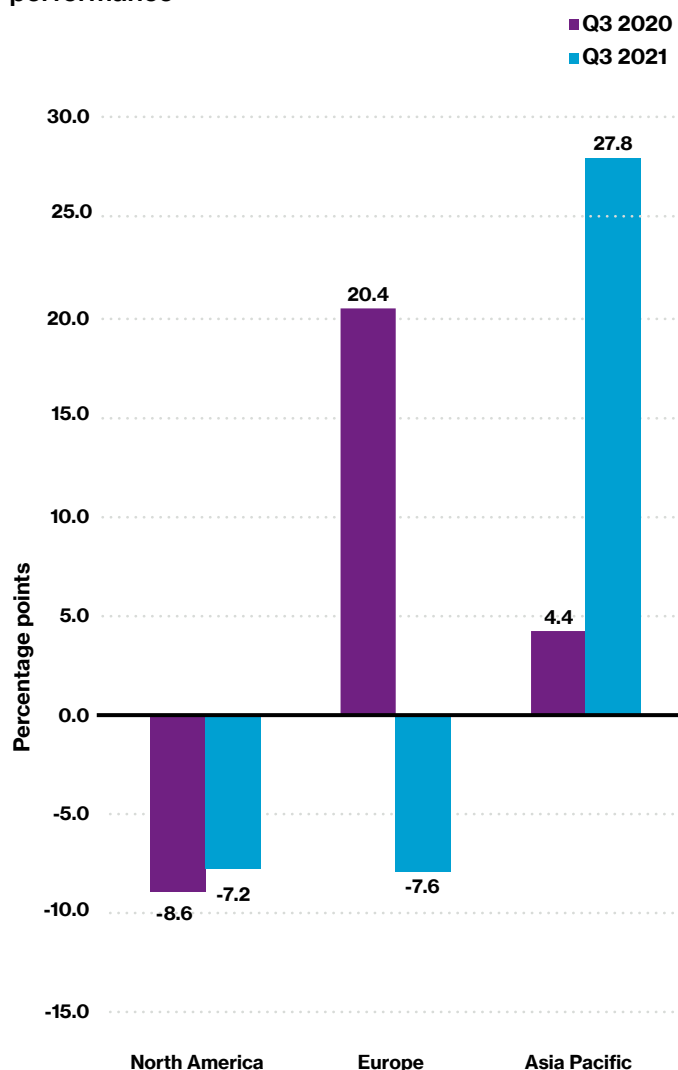
As economic uncertainty melts away from the impact of 2020 lockdowns, companies have embarked on an unprecedented deal spree this year looking to bulk up and address the vulnerabilities it exposed.

With the deal pipeline at such record levels, it is difficult to see M&A activity slowing in the near term. While the potential is strong, however, the challenges of price, regulation and pressure to deliver target returns leave little or no margin for error.

The M&A data for Q3 2021 revealed acquirers in both North America and Europe struggling to match the positive results achieved in the first six months of 2021, underperforming their regional Indices by -7.2pp and -7.6pp respectively. During the same period, only Asia-Pacific buyers managed to outperform their regional Index with a strong quarterly result (+27.8pp) and their best since Q4 2016 (+72.8pp).



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.

Nearly a third (215) of the 748 deals completed in the last nine months have been large – valued at over \$1 billion. With this trend expected to continue into the final quarter, activity at this level is likely to breach new highs, building on the record-breaking streak from the start of 2021.

After a period of significant volatility, more companies willing to undertake larger deals signals a more stable market, with the forces driving global strategic activity still in place, including a positive economic outlook, an abundance of dry powder and access to inexpensive debt.

At the same time, competition remains intense, more robust scrutiny of large M&A is expected, and deals are becoming more complicated as companies try to acquire new capabilities often far removed from their traditional core business. As M&A transactions grow in quantity and size, integration planning starting in due diligence will become ever more important for buyers looking to lock in gains and achieve transformative growth.

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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

	Q3 2020	Q2 2020	Q3 2021	2020	YTD-2021
Mega deals (over or equal US\$10bn)	25.1	-8.4	18.3	-2.3	5.6
Large deals (over or equal to US\$1bn)	-11.3	2	-7.1	-2.1	0.8
Medium-sized deals (under US\$1bn)	2.2	3.2	-5	-1.5	2.9
Domestic	1.9	2.8	-5.2	-2.2	3.4
Cross-border	-1.5	2.9	-5.5	0.4	1
Intra-regional	1.9	3.6	-5	-2.2	3.4
Cross-regional	-1.5	0.7	-6.4	2.9	0.8
Intra-sector	-3.8	5.5	-5	-5	3.6
Cross-sector	7.7	-0.3	-6	5.6	1.1
Quick deals	3.2	5.2	-6.2	1.1	2.4
Slow deals	-4.6	-3.5	-5	-2.3	1.5

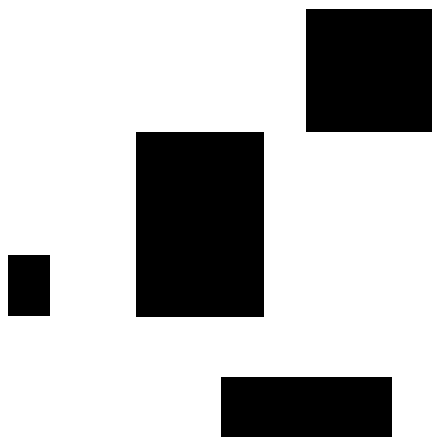
NB: The share price returns have been adjusted to Index returns over the corresponding period. The MSCI World Index is used as default, unless stated otherwise. 'Quick' deals refer to those transactions which had a median time to completion of less than 70 days, whereas 'slow' deals are those which had a time to completion more than or equal to 70 days for the period. 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: Q3 2021

	Q3 2021	Median Deal Value (US\$ m)
All	264	400
Asia Pacific	53	294
Europe	52	533
North America	149	413
Rest of the world	10	420
Consumer Products & Services	14	537
Consumer Staples	15	304
Energy & Power	24	531
Financials	52	469
Healthcare	27	756
High Technology	38	335
Industrials	37	413
Materials	36	317
Media & Entertainment	8	283
Retail	10	235
Telecommunications	3	700
Domestic	174	374
Cross-border	90	405
Asia Pacific	14	169
Europe	42	668
North America	29	333
Rest of the world	5	410
Intra-regional	203	371
Cross-regional	59	410
Asia Pacific	13	160
Europe	26	919
North America	17	374
Rest of the world	3	347
Intra-sector	169	390
Cross-sector	95	410
Asia Pacific	16	162
Europe	20	488
North America	56	508
Rest of the world	3	410
Quick deals	121	303
Slow deals	143	660
Large deals (over or equal to US\$1bn)	71	1,989
Mega deals (over or equal to US\$10bn)	4	

Appendix C. Top 25 deals: Q3 2021

Date Announced	Date Effective	Acquirer Name	Target Name	Value of Transaction (US\$ m)
12/12/2020	21/07/2021	AstraZeneca PLC	Alexion Pharmaceuticals Inc	39,307
01/12/2020	21/07/2021	Salesforce.com Inc	Slack Technologies Inc	28,419
13/07/2020	26/08/2021	Analog Devices Inc	Maxim Integrated Products Inc	21,291
24/02/2021	01/07/2021	Icon PLC	PRA Health Sciences Inc	11,111
17/06/2021	30/08/2021	Danaher Corp	Aldevron LLC	9,600
22/03/2021	01/09/2021	SYNNEX Corp	Tech Data Corp	8,851
02/11/2020	01/07/2021	Nexi SpA	Nets A/S	7,373
23/04/2021	17/09/2021	Panasonic Corp	Blue Yonder Group Inc	7,100
21/09/2020	18/08/2021	Illumina Inc	GRAIL Inc	6,396
29/03/2021	27/08/2021	AJAX I Acquisition Corp	Cazoo Ltd	6,380
17/07/2019	01/07/2021	EssilorLuxottica SA	GrandVision NV	6,202
07/02/2021	30/08/2021	Renesas Electronics Corp	Dialog Semiconductor PLC	5,952
27/04/2021	17/08/2021	Humana Inc	Kindred at Home Inc	5,700
26/07/2021	17/09/2021	PerkinElmer Inc	Biolegend Inc	5,250
24/02/2021	10/08/2021	Reinvent Technology Partners	Joby Aero Inc	5,000
03/05/2021	01/09/2021	Apollo Global Management Inc	Oath Inc	5,000
27/04/2021	16/08/2021	DSV Panalpina A/S	Global Integrated Logistics	4,077
30/07/2021	19/08/2021	Iweb Inc	Tingo Mobile Plc	3,712
30/01/2020	01/07/2021	Traton SE	Navistar International Corp	3,710
08/02/2021	20/08/2021	Ecopetrol SA	Interconexion Electrica SA ESP	3,592
28/01/2021	21/07/2021	Property Solutions Acquisition	Faraday&Future Inc	3,288
25/01/2021	02/07/2021	Foley Trasimene Acquisition	Alight Solutions LLC	3,267
22/06/2021	21/09/2021	Washington H Soul Pattinson	Milton Corp Ltd	3,214
06/05/2021	21/07/2021	EQT Corp	Alta Resources LLC-Upstream	3,119
02/06/2021	01/09/2021	Southwestern Energy Co	Indigo Natural Resources LLC	3,051



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