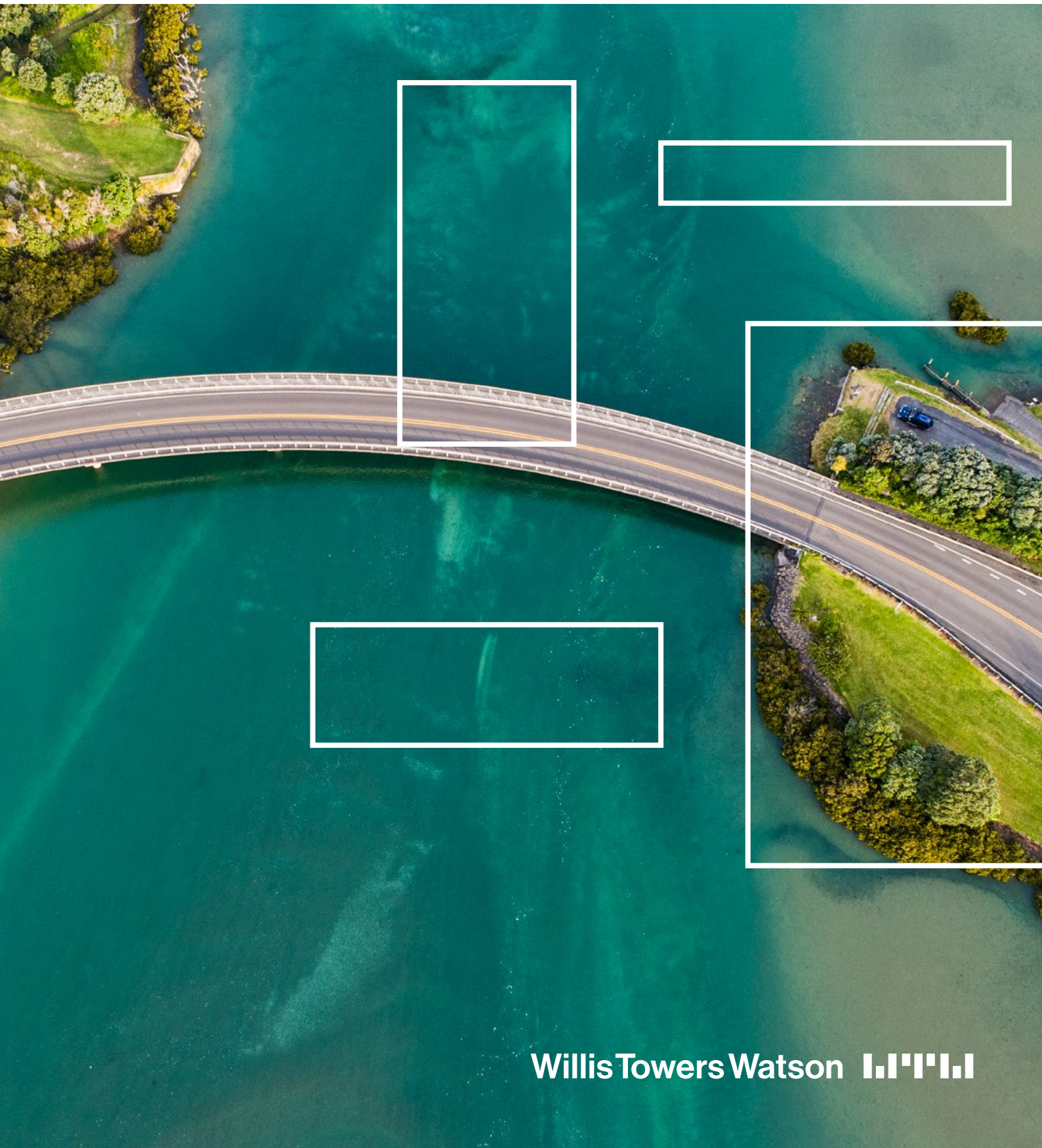


# Global M&A to remain strong in 2022 as valuations reach historic highs



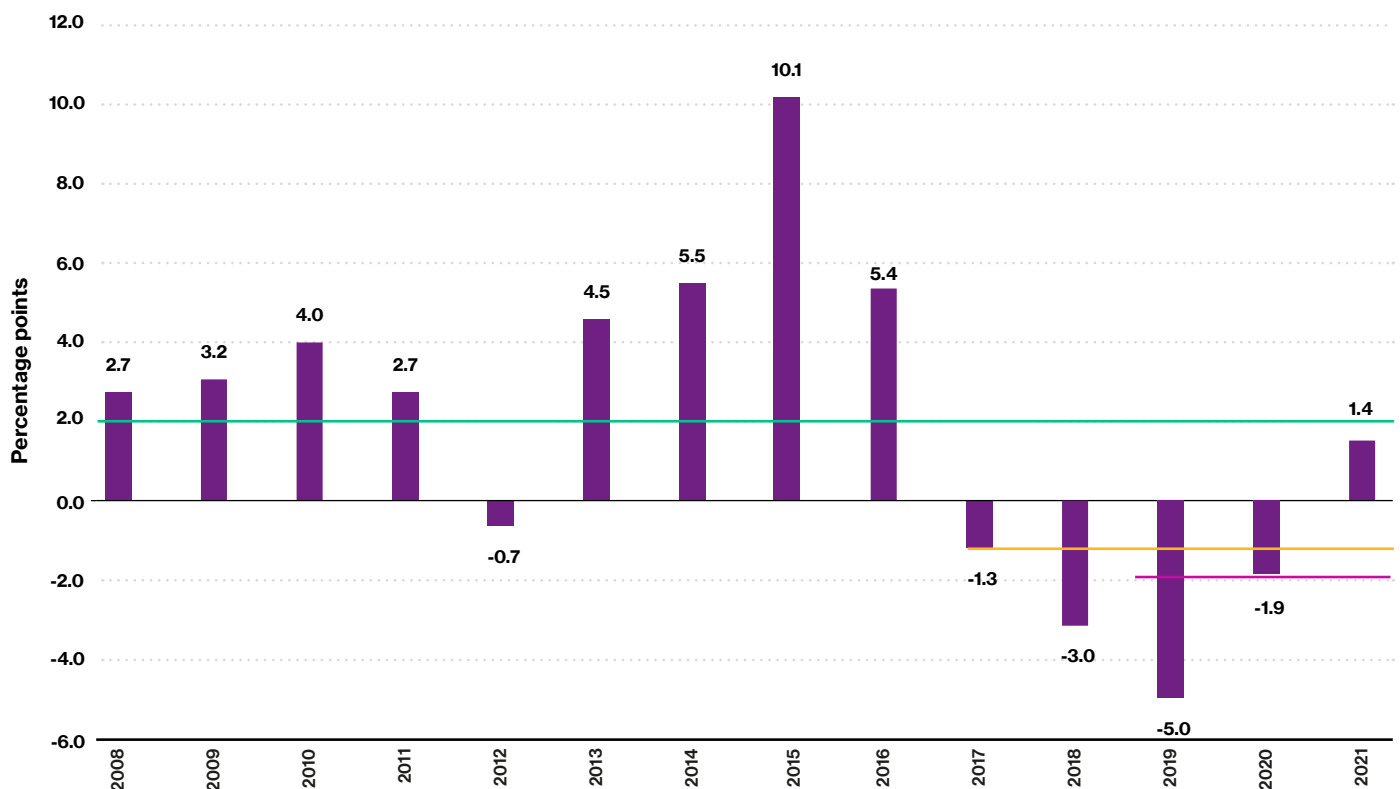
# Recording their first positive annual performance for five years, dealmakers expect M&A activity to continue to increase this year and ESG issues to dominate the corporate agenda.

Global dealmakers achieved their first positive M&A performance for a full year in 2021 since 2016, according to latest research on completed deals from Willis Towers Watson's Quarterly Deal Performance Monitor (QDPM). Based on share-price performance, companies making M&A deals outperformed the World Index<sup>1</sup> by +1.4pp (percentage points) on average.

Run in partnership with the M&A Research Centre at The Bayes Business School (formerly Cass), the data also reveals that global activity breached new highs as completed deals valued over \$100 million reached 1047 in 2021. This represents a significant increase on the previous year (674) and is the highest annual volume since our analysis began in 2008.

Deal volume in North America remained consistently strong during 2021, with acquirers closing 614 deals, almost double the 325 deals achieved in the previous 12 months, although they only outperformed their regional index by the narrowest of margins (+0.5pp).

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.

<sup>1</sup>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

Figure 2. M&A yearly volumes

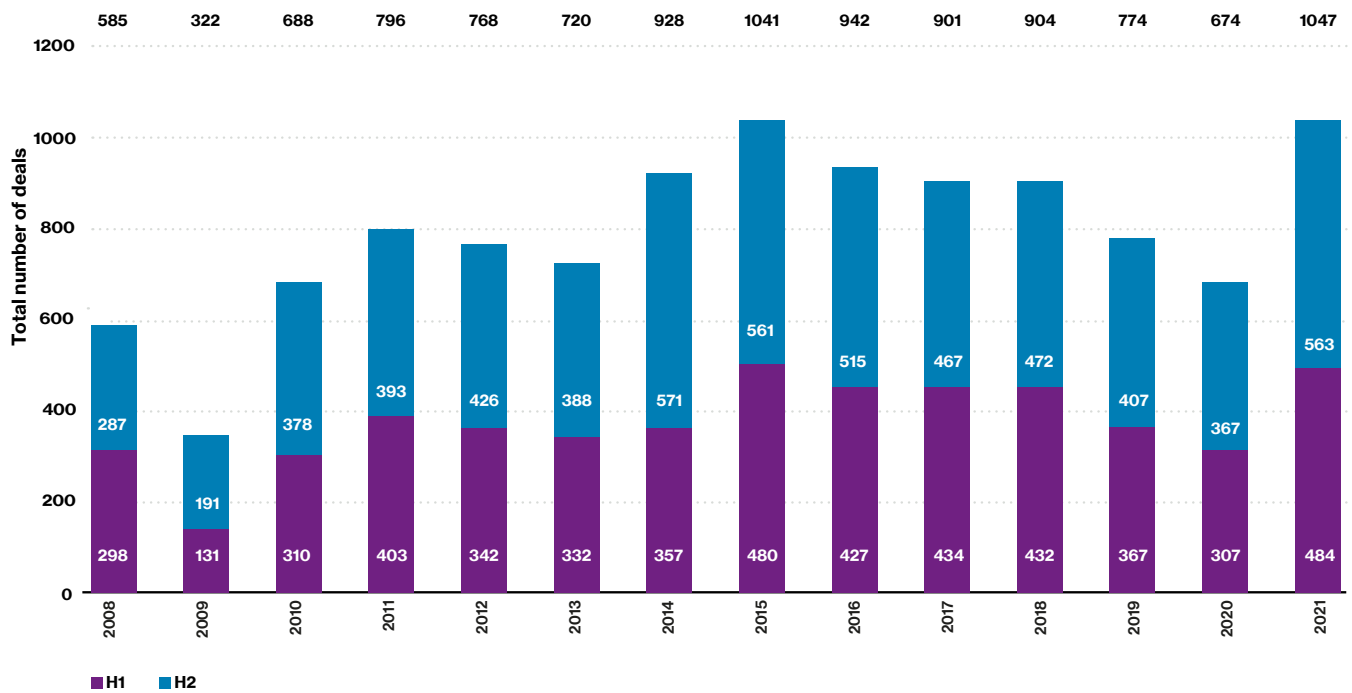
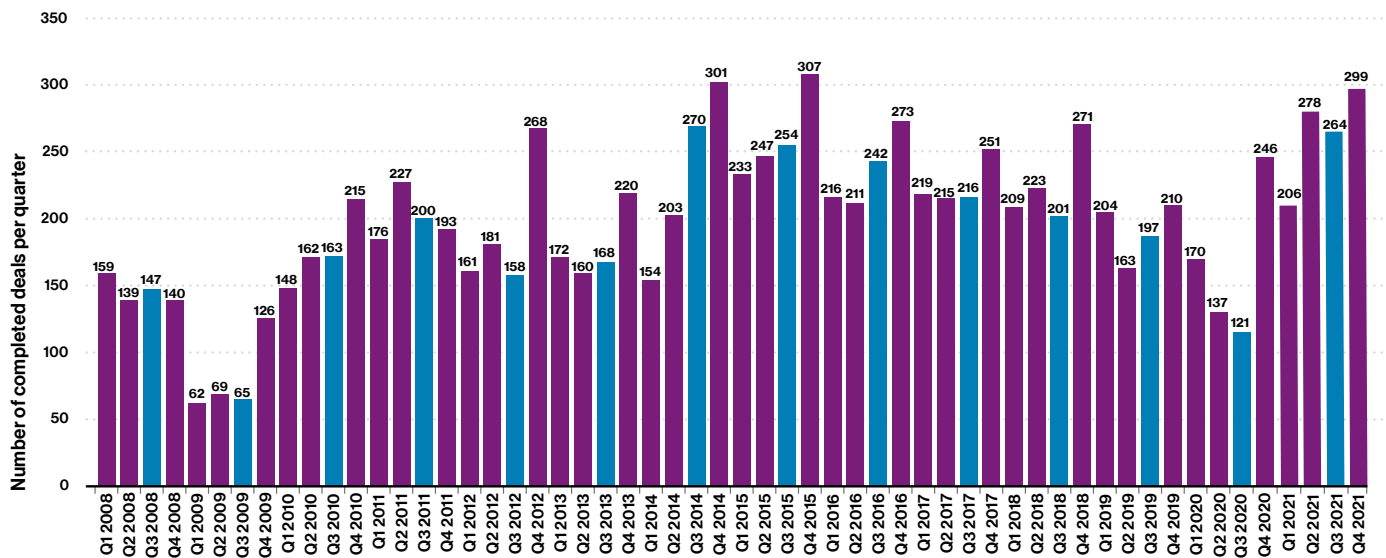


Figure 3. Global deal volume by quarter



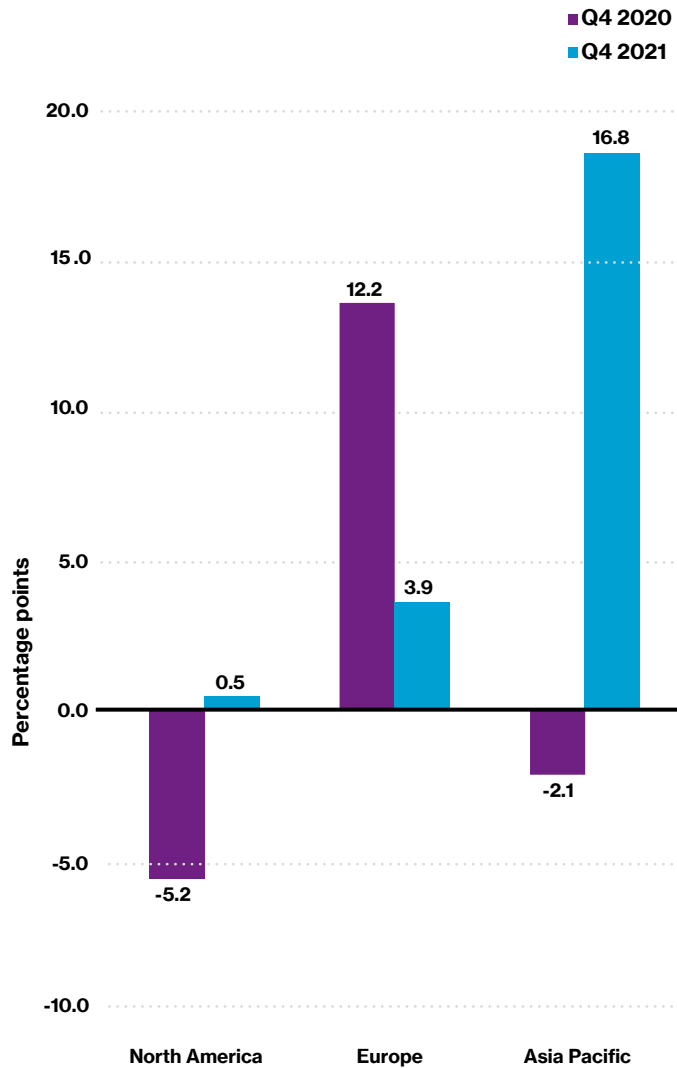
**The M&A boom in 2021 looks set to continue, fuelled by abundant investment capital, strong equity markets and cheap debt.**

For the full year, APAC dealmakers recorded their strongest performance since 2016, outperforming their index by +16.8pp, despite closing only fractionally more deals regionally compared to 2020 (196 vs 173), as fewer Chinese acquisitions continued to depress volume levels. European acquirers outperformed their regional index, showing a

positive performance of +3.9pp and 199 deals closed in 2021, up a quarter on 155 deals in the prior 12 months. UK acquirers have consistently outperformed the FTSE All-Share index over the last five years, recording a positive performance of +5.7pp for the year.



**Figure 4. 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.

The M&A boom in 2021 looks set to continue, fuelled by abundant investment capital, strong equity markets and cheap debt, and companies under pressure to make their businesses greener by hunting for targets with the right climate credentials. M&A data coming out of North America also highlights the impact that historically high asset valuations, pushed up by competition and increasing complexity, can have on deal performance. The question is whether prices being paid now will continue to make sense over time.



**M&A activity in 2022 looks poised to match the peaks of 2015, although deals will remain susceptible to increasing challenges.**



## Five M&A trends for 2022

M&A activity in 2022 looks poised to match the peaks of 2015, although deals will remain susceptible to increasing challenges. High valuations, deal complexity, competition for high-quality assets and pandemic-fuelled supply chain disruption will continue to have knock-on consequences for dealmakers. Deal speed, preparation and quality due diligence will be essential if dealmakers' expectations are to be met. Jana Mercereau, Head of Corporate M&A Consulting, Great Britain at Willis Towers Watson shares her top trends for the year ahead.

### 1. ESG goals drive M&A boom

ESG (environmental, social and governance) priorities are climbing to the top of CEO agendas, with greater emphasis to drive employee engagement in a hybrid world of work and purchasing, rationalising or divesting assets to improve their environmental footprint. Themes such as decarbonisation will drive deals and there will also be opportunities for new ventures stemming from climate risk mitigation innovation.

### 2. Digital transformation accelerates

Businesses have been focusing on the digital transformation of their operations for a number of years, with the pandemic increasing the speed and scale of change. The so-called Great Resignation, which has forced companies to re-evaluate how to retain and acquire new talent in a scarce labour market, will continue to be a factor with companies under pressure to acquire high-end talent in fields such as cyber security and software engineering. Our M&A data reveals that 293 large and mega deals (those valued at over \$1bn) were completed in 2021, the highest number recorded as companies shaped their post-COVID future through transformative acquisitions. This may well be surpassed in 2022 as companies and investors flush with cash continue to look for acquisitions in areas where they need to grow or add capabilities.

### 3. Supply chain-driven M&A

Many companies will aim to achieve more self-sufficiency in their products and services due to the immense strain exerted on global supply chains by the pandemic, social unrest, cyber attacks and extreme weather events. They will achieve this through either reshoring, nearshoring or M&A by vertically integrating upstream links to improve certainty of delivery.

### 4. M&A cycles changing

Instead of declining in line with economic downturns, the unprecedented amount and mix of capital for deals from private equity firms and other investors indicates an increased capability and desire to do deals through downturns. The rising trend to build professional in-house corporate development teams, allowing firms to identify and act on opportunities more nimbly themselves, will further enhance acquirers' capacity to undertake M&A deals even during high volatility.

### 5. Strong M&A in 2022, but with caveats

Most dealmakers will be aiming this year to match or exceed their 2021 deal total, but they will also be concerned that inflation pressures and ESG issues could have a negative impact on deal performance.

Besides the ongoing pandemic, supply chain disruptions and talent shortages, government regulation is likely to intensify, with a focus on the technology sector. Companies will also continue to face geopolitical tensions. China looks unlikely to remain the powerhouse of international, cross-border deals, which may serve to stimulate activity in other places such as Japan, India and Southeast Asia. This trend is already evident in our data, which reveals cross border M&A activity during 2021 has remained at a steady level despite depressed deal activity from China.

## 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 2020	Q3 2020	Q4 2021	2020	2021
Mega deals (over or equal US\$10bn)	-17.3	18.3	10.2	-2.3	10.2
Large deals (over or equal to US\$1bn)	5.1	-7.1	-1.1	-2.1	-0.2
Medium-sized deals (under US\$1bn)	-2.1	-5.0	-1.5	-1.5	1.6
Domestic	-2.3	-5.2	-1.6	-2.2	1.8
Cross-border	1.7	-5.5	-0.3	0.4	0.3
Intra-regional	-1.9	-5.0	-1.6	-2.2	1.4
Cross-regional	-1.0	-6.4	-0.9	2.9	0.8
Intra-sector	-3.6	5.0	-1.5	-5.0	1.5
Cross-sector	7.5	-6.0	0.9	5.6	1.1
Quick deals	-0.5	-6.2	-1.6	1.1	1.6
Slow deals	-2.3	-5.0	0.0	-2.3	1.0

**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.

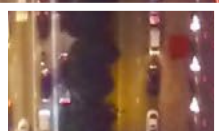
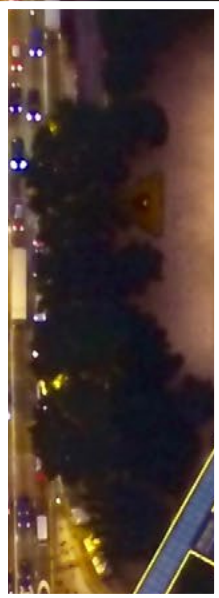
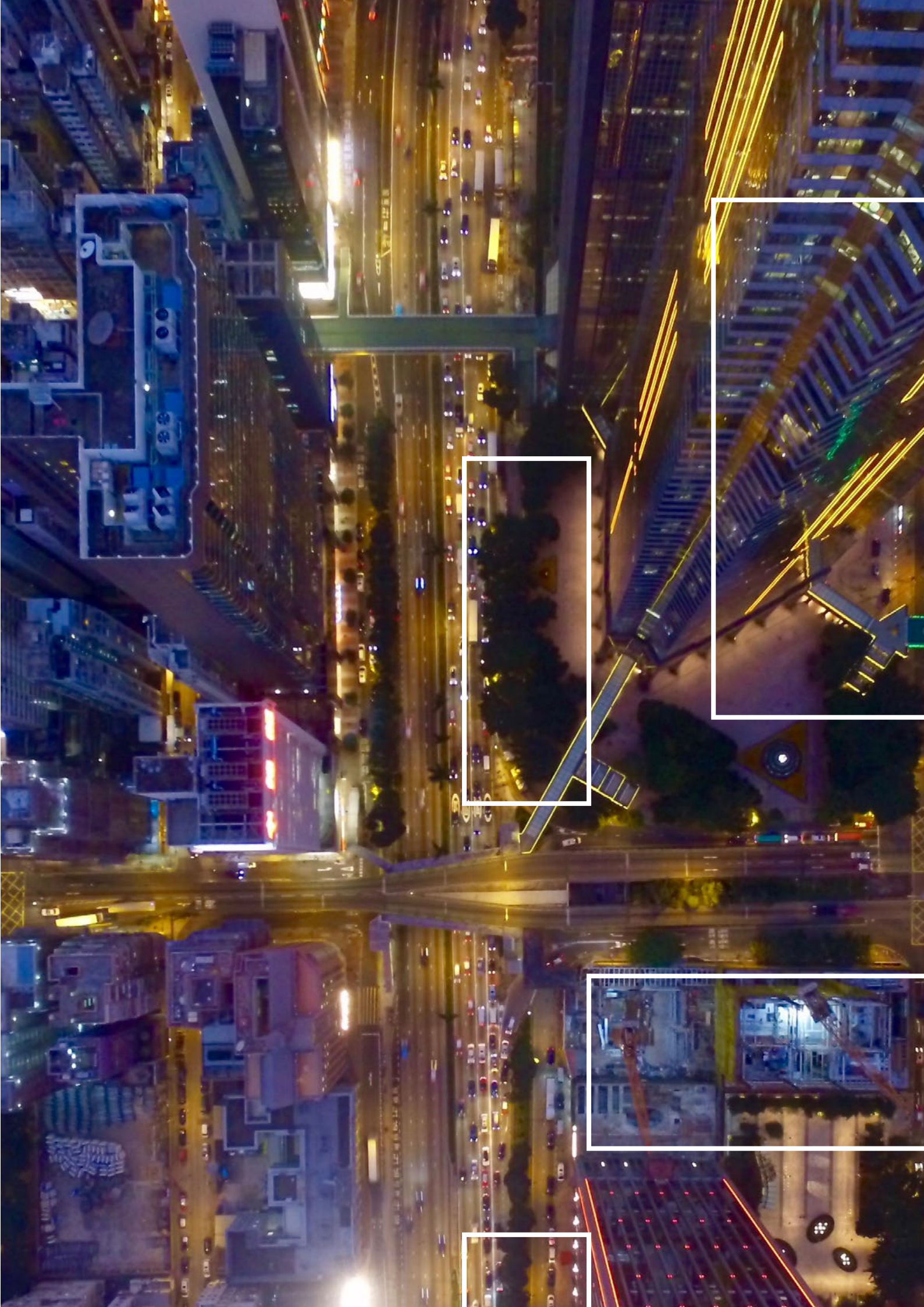
## Appendix B. Deal volumes and values by industry and region: Q4 2021

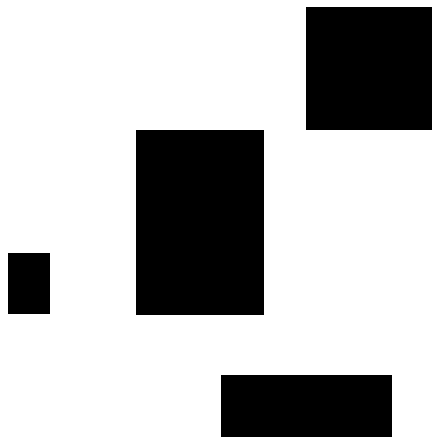
	Q3 2021	Median Deal Value (US\$ m)
All	299	360
Asia Pacific	69	260
Europe	46	384
North America	173	404
Rest of the world	11	292
Consumer Products & Services	15	415
Consumer Staples	15	259
Energy & Power	35	375
Financials	53	541
Healthcare	26	406
High Technology	56	397
Industrials	41	295
Materials	31	425
Media & Entertainment	7	229
Retail	15	300
Telecommunications	5	374
Domestic	199	350
Cross-border	100	402
Asia Pacific	19	315
Europe	36	406
North America	42	476
Rest of the world	3	292
Intra-regional	237	360
Cross-regional	62	377
Asia Pacific	15	310
Europe	22	397
North America	23	513
Rest of the world	2	1,826
Intra-sector	193	383
Cross-sector	106	325
Asia Pacific	31	234
Europe	11	394
North America	59	400
Rest of the world	5	253
Quick deals	141	308
Slow deals	158	500
Large deals (over or equal to US\$1bn)	78	2,220
Mega deals (over or equal to US\$10bn)	5	

## Appendix C. Top 25 deals: Q4 2021

Date Announced	Date Effective	Acquirer Name	Target Name	Value of Transaction (US\$ m)
09/03/2021	01/11/2021	AerCap Holdings NV	GE Capital Aviation Svcs Inc	31,244
21/03/2021	14/12/2021	Canadian Pacific railway Ltd	Kansas City Southern	31,186
15/04/2021	08/12/2021	Thermo Fisher Scientific Inc	PPD Inc	17,307
13/09/2021	01/11/2021	Intuit Inc	The Rocket Science Group LLC	12,000
02/09/2021	13/12/2021	Baxter International Inc	Hill-Rom Holdings Inc	10,423
20/09/2021	01/12/2021	ConocoPhillips	Shell Entrps-Permian Basin	9,500
20/10/2020	29/12/2021	SK Hynix Inc	Intel-Nand Memory & Storage	9,000
14/09/2020	23/11/2021	Verizon Communications Inc	TracFone Wireless Inc	7,219
02/10/2020	31/12/2021	Vinci SA	Cobra Gestion	6,453
17/05/2021	01/12/2021	Clarivate PLC	ProQuest LLC	6,336
01/09/2021	06/10/2021	Ardagh Group SA	Ardagh Group SA	6,328
03/02/2021	28/10/2021	Cellnex Telecom SA	Hivoy SAS	6,262
20/07/2021	10/12/2021	Santos Ltd	Oil Search Ltd	6,176
14/08/2018	01/11/2021	Coca-Cola Co	BA Sports Nutrition LLC	5,600
07/09/2021	03/11/2021	Blackstone Inc	The Chamberlain Group Inc	5,000
23/07/2021	08/12/2021	Dragoneer Growth	Cvent Inc	4,468
26/01/2021	01/11/2021	Blackstone Group Inc	Allstate Life Insurance Co	4,250
28/10/2021	29/12/2021	T Rowe price group Inc	Oak Hill Advisors LP	4,200
13/08/2021	01/12/2021	Arthur J Gallagher & Co	Willis Towers Watson-Willis Re	4,000
28/10/2021	01/12/2021	Ecolab Inc	Purolite Corp	3,700
16/02/2021	04/10/2021	Regal Beloit Corp	Rexnord Corp-Process & Motion	3,690
19/05/2021	04/10/2021	Adani Green Energy Ltd	SB Energy Holdings Ltd	3,500
05/07/2021	04/10/2021	Brookfield Business Partners	Dexco Global Inc	3,400
03/11/2021	21/12/2021	Continental resources Inc	Pioneer Natural Resources-AST	3,250
02/09/2021	14/10/2021	Quanta Services Inc	Blattner Holding Co Inc	3,000







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