Quarterly Deal Performance Monitor – Q1 2022

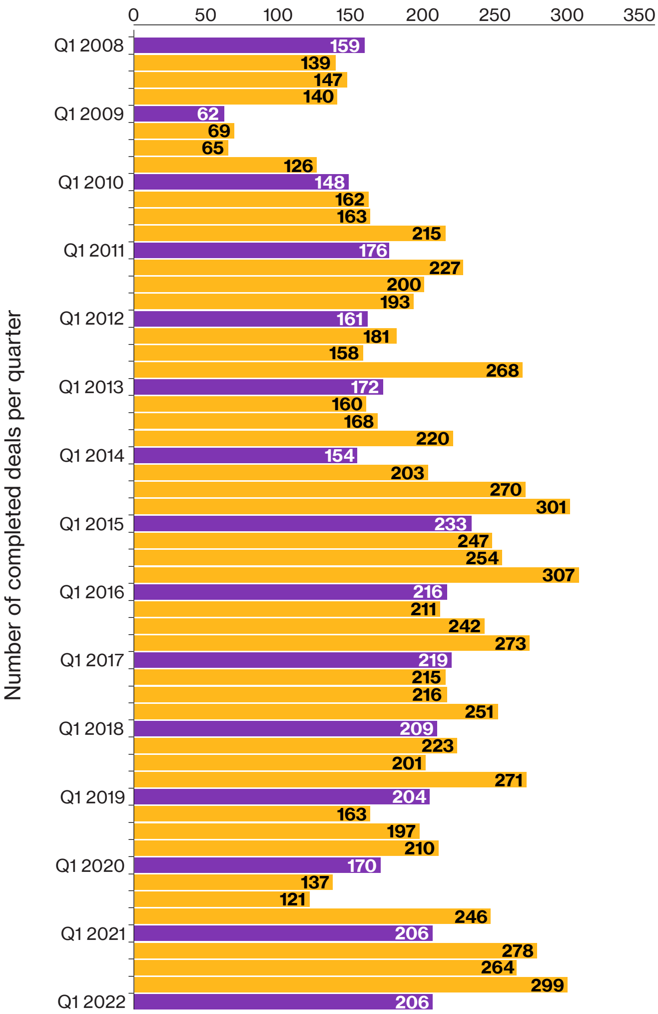
Strong start for the year with deal closures following a year of record-breaking activities.

Global merger and acquisition (M&A) activity in 2022 has recorded a strong start with the number of completed deals valued over $100 million in the first quarter exceeding the same period last year. Supported by historically low interest rates, increased market confidence, abundant capital and the pursuit of transformative deals, 220 transactions were closed in the first three months of 2022, according to research from WTW's Quarterly Deal Performance Monitor (QDPM).

This is the second highest Q1 result since 2008, achieved despite the sharp fall in special purpose acquisition company (SPAC) deals recorded since the second half of 2021.

Run in partnership with the M&A Research Centre at The Bayes Business School (formerly Cass), the data reveals an even higher number of mega deals (valued over $10 billion) closed in the last three months compared to the corresponding period in 2021 (six vs five), when the market experienced an extraordinary rebound in deal activity. Foreign takeovers of UK firms also surged to the highest point since 2015 with 13 deals completed in Q1 2022.

Figure 1: M&A Quarterly analysis volume



> **Pent-up demand that saw M&A reach a new peak in 2021 looks set to continue as interest rates remain low, for the time being, and buyers carry record amounts of cash.**
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> Jana Mercereau
> Head of Corporate M&A Consulting, Great Britain
> WTW

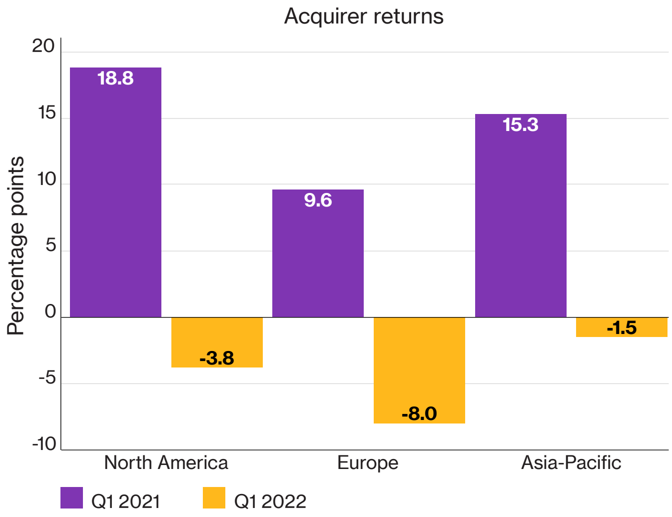
"Pent-up demand that saw M&A reach a new peak in 2021 looks set to continue as interest rates remain low, for the time being, and buyers carry record amounts of cash," said Jana Mercereau, Head of Corporate M&A Consulting, Great Britain, WTW. "Many businesses attempting rapid transitions in areas of climate, technology, as well as social issues, view strategic acquisitions as a key part of speeding up this change. So while geopolitical and economic volitility may be increasing, we are still seeing M&A activity as a key growth driver for businesses."

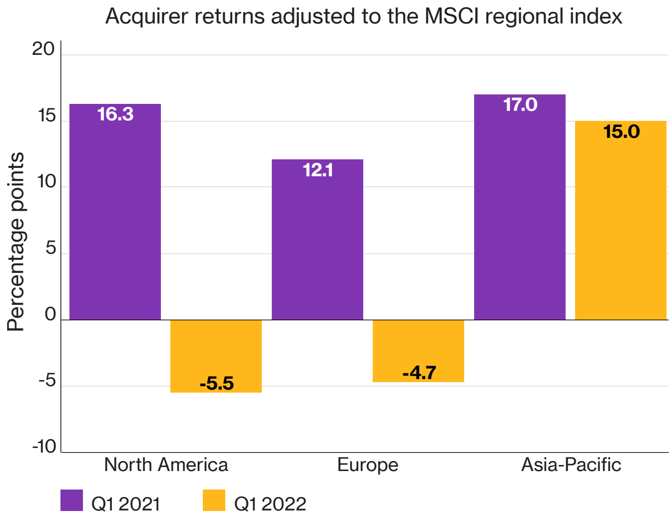
A direct impact of the sustained high levels of global M&A activity has been to push valuations to new highs, potentially a major factor for acquirers that struggled to unlock value from deals during Q1 2022. Based on share-price performance, companies that completed deals valued over $100 million underperformed the World Index[1] by -4.4pp (percentage points) on average during this period.

All regional acquirers, except in Asia-Pacific, underperformed in Q1 2022. APAC acquirers outperformed their regional index, showing an overall performance of +13.3pp with 46 deals closed in Q1 2022. Meanwhile, North American acquirers underperformed their index by -5.3pp with 116 deals closed in the first three months of 2022, and dealmakers from Europe underperformed their index by -4.3pp with 49 deals completed.

[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.

Figure 2 and 3: M&A regional analysis Q1 2021 and Q1 2022





"Geopolitical turbulence, increasing inflation, intensifying regulatory scrutiny of M&A transactions and continued supply chain disruption present a number of challenges for companies planning to strike a deal in the months ahead," continued Mercereau. "Yet there are compelling reasons for dealmakers to be optimistic. Global economic performance is expected to improve, despite macroeconomic headwinds, and the sheer weight of capital available to private equity firms and excess cash sitting on corporate balance sheets suggest the deals pipeline is set to stay strong for the foreseeable future."

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