

COVID-19 drags North America M&A deals to lowest level since 2010, while Europe and Asia Pacific escape worst



Lessons from previous crises tell us that there will be opportunities to make deals, with vast amounts of capital waiting to be deployed.

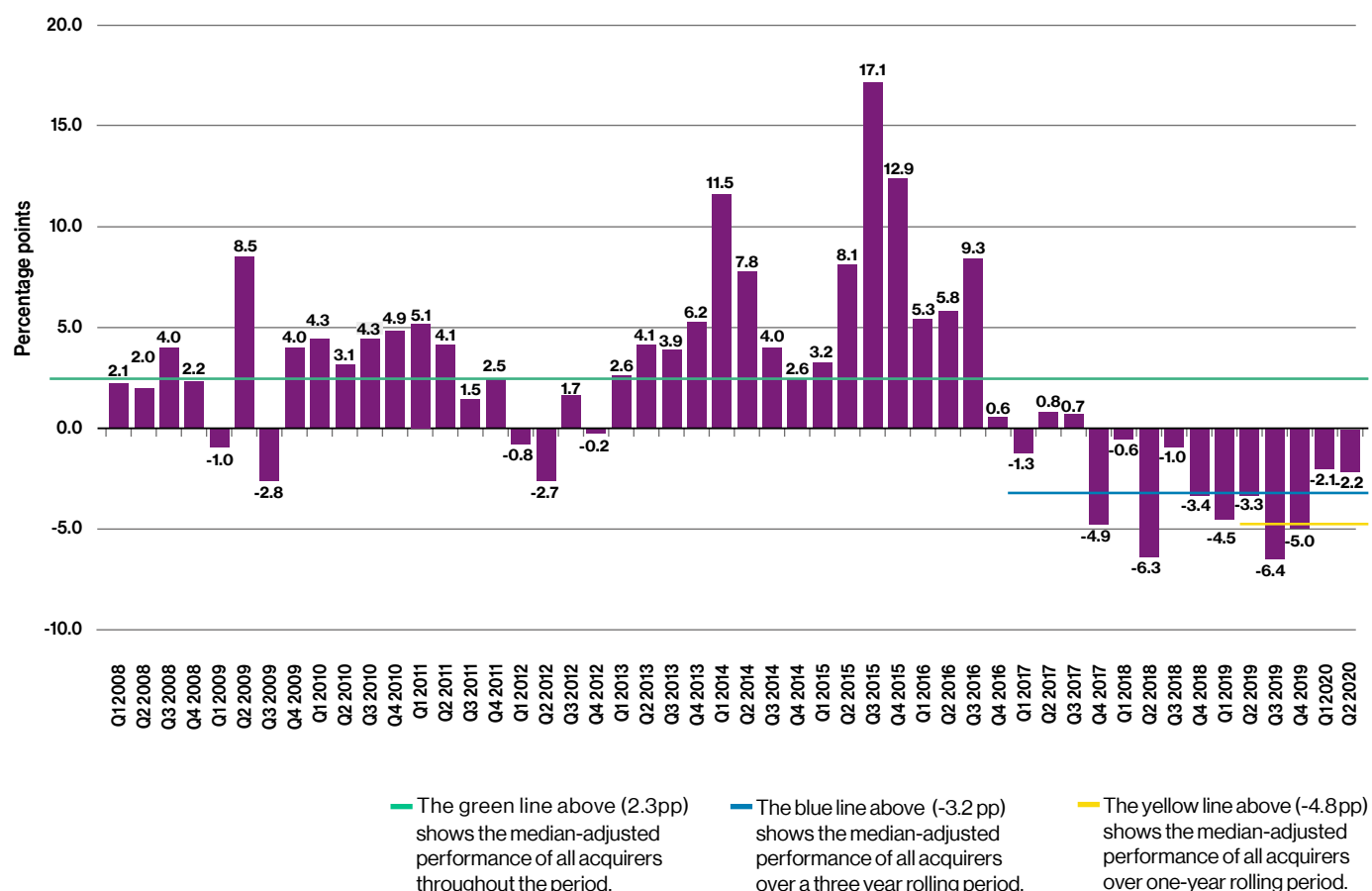
The impact of the COVID-19 pandemic on deal-making in the first six months of 2020 was significant but not unexpected, yet regional differences in deal performance and volume revealed by M&A data¹ from Willis Towers Watson have been more dramatic.

Based on share price performance, the latest results from Willis Towers Watson's Quarterly Deal Performance Monitor (QDPM), run in partnership with Cass Business School, show North America experienced the sharpest fall in M&A performance by some margin. Acquirers underperformed their regional index by -7.2pp (percentage points), with just

137 deals completed in H1 2020 (compared to 188 in H1 2019). This is the lowest number of North American deals for a six-month period since the study began in 2009.

In contrast, European buyers performed +10.2pp above their regional index in H1, based on an actual increase in deals completed (80 deals compared to 68 deals in H1 2019). This is also the first time in two years that Europe has recorded three consecutive quarters of positive performance. Meanwhile, U.K. acquirers performed +16.9pp above the index, with 15 deals in the first half of this year.

Figure 1. M&A quarterly analysis – global performance



NB: The share price returns have been adjusted to Index returns over the corresponding period.

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.

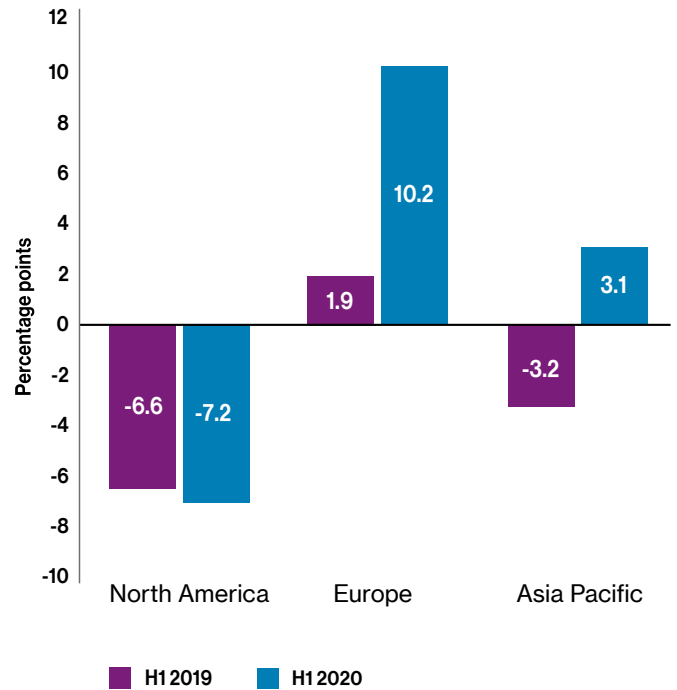
Asia Pacific dealmakers also fared better than their regional index in the first half of 2020, albeit with a more modest increase of performance of +3.1pp and based on a slight dip in volume (82 deals compared to 95 completed in H1 2019). Perhaps more significantly, the region's outperformance in the last three months improved substantially, by +8.0pp based on 41 deals closed – the region's first significant positive quarterly performance since late 2016.

Jana Mercereau, Head of Corporate Mergers and Acquisitions for Great Britain, said: "Global M&A activity tumbled to its lowest level in more than a decade in the wake of the COVID-19 outbreak, with most of this decline driven by North America. Economic uncertainty caused by the pandemic seems to have had a far greater negative impact on the ability of US companies to initiate and successfully complete M&A negotiations."



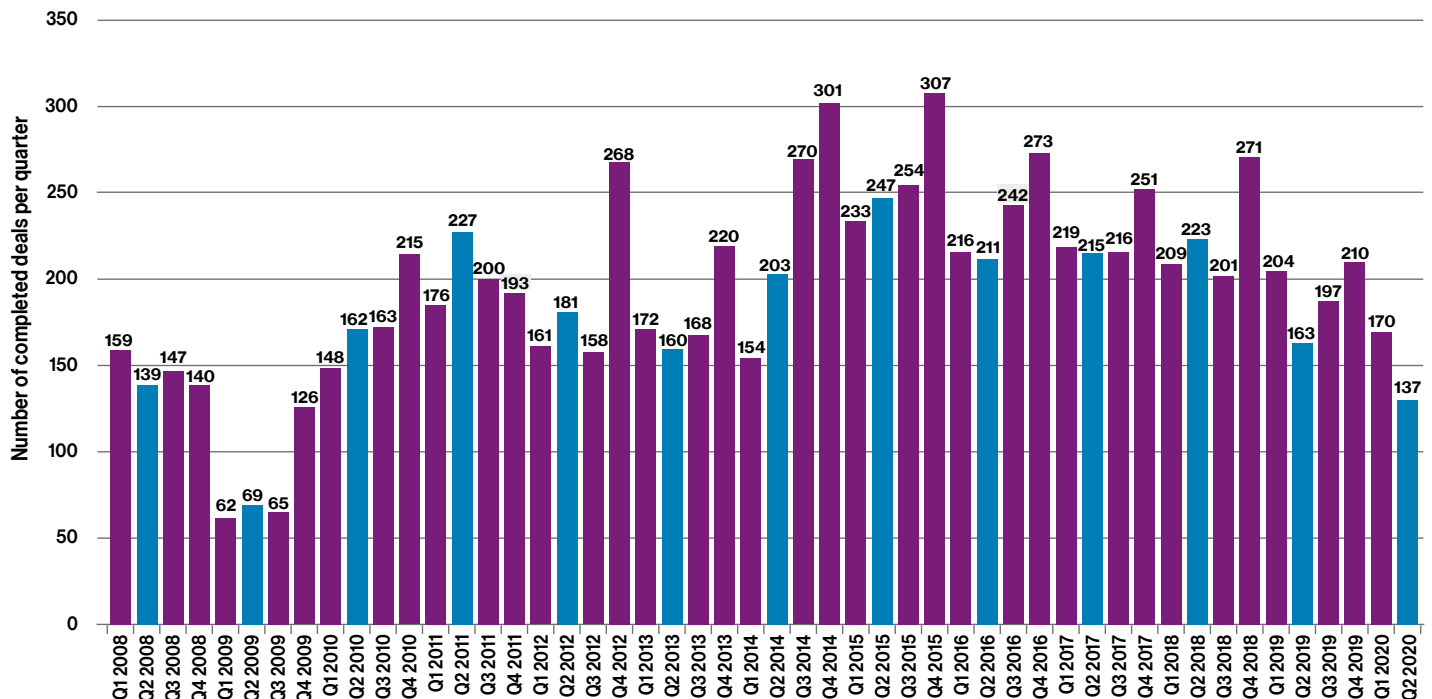
Global M&A activity tumbled to its lowest level in more than a decade in the wake of the COVID-19 outbreak

Figure 2. M&A Regional Analysis – H1 2019 and H1 2020



NB: The share price returns have been adjusted to Index returns over the corresponding period.

Figure 3. M&A quarterly analysis – global volume





“Before the severe disruption of COVID-19, dealmakers already faced uncertainty, including trade disputes, the threat of global recession, the rise of shareholder activism and a US presidential election on the horizon, making the deal performance and volume in some markets even more impressive,” said Mercereau. “While it is not possible to forecast the pandemic’s long-term impact on M&A, more turbulence seems inevitable.”

“What previous crises do tell us is that there will be opportunities to make deals, underpinned by vast amounts of capital still waiting to be deployed. Activity, partly driven by distressed M&A and non-core divestitures at bargain prices, will become more selective, deals will take longer and acquirers will need to be prepared for the duration and depth of their due diligence to increase, even as COVID-19 subsides.”

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Further information

For further information about the research, or for help with your M&A activity, please contact:

Additional findings from the QDPM data include:

- **Deals taking longer** – The average time to close a deal in the first six months of 2020 has increased by 8% compared to the same period in 2019 (from 144 days to 156). We expect this trend to continue, with M&A deals continuing to be delayed or cancelled as companies try to wait out the worst of the downturn.
- **Mega deals still in play** – Six mega deals (valued at \$10bn+) closed in H1 2020, compared to five deals in H1 2019.
- **Industry winners** – Acquirers in the Energy and Power (+8.2pp), Healthcare (+3.4pp) and Materials (+9.8pp) sectors all outperformed their respective indices in H1 2020.
- **Industry losers** – High-tech (-15.4pp) acquirers have been hit hardest during the COVID-19 outbreak.
- **Domestic vs international** – Cross-border and cross-regional deals both outperformed their indices in H1 2020 by +0.3pp and +6.2pp respectively, while domestic deals struggled with an underperformance of -2.6pp.

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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 \$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 2019	Q1 2020	Q2 2020	2019	2020
Mega deals (over or equal \$10bn)	-	24.9	-7.2	-3.7	-3.7
Large deals (over or equal to \$1bn)	7.1	-4.1	-1.8	-1.6	-2.2
Medium-sized deals (under \$1bn)	-7.2	-1.1	-6.3	-6.5	-3.3
Domestic	-9.7	0.3	-5.6	-7.3	-2.6
Cross-border	3.8	-3.7	0.9	0	0.3
Intra-regional	-7.2	-4.1	-7.7	-6.6	-5.6
Cross-regional	4.1	4	9.6	0	6.2
Intra-sector	-4.8	-7.1	-8.9	-5.6	-8.3
Cross-sector	-1.3	5.4	4.3	-3.2	5.3
Quick deals	4.9	2	-3.4	0.6	-2.2
Slow deals	-10.8	-5.4	-2.2	-8.3	-2.4

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. 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: Q2 2020

	Q2 2020	Median Deal Value (USD m)
All	137	420
Asia Pacific	41	344
Europe	38	383
North America	52	440
Rest of the world	6	584
Consumer Products & Services	6	195
Consumer Staples	6	642
Energy & Power	14	417
Financials	29	453
Healthcare	18	299
High Technology	20	436
Industrials	18	424
Materials	19	300
Media & Entertainment	3	440
Retail	2	158
Telecommunications	2	14,028
Domestic	97	381
Cross-border	40	454
Asia Pacific	10	605
Europe	22	416
North America	6	810
Rest of the world	2	1,024
Intra-regional	110	393
Cross-regional	27	455
Asia Pacific	7	202
Europe	13	455
North America	5	900
Rest of the world	2	1,024
Intra-sector	91	420
Cross-sector	46	411
Asia Pacific	16	456
Europe	11	270
North America	17	440
Rest of the world	2	398
Quick deals	43	278
Slow deals	94	444
Large deals (over or equal to \$1bn)	36	3,213
Mega deals (over or equal to \$10bn)	4	

Appendix C. Top 25 deals by value of transaction: Q2 2020

Date announced	Date effective	Acquirer name	Target name	Value of transaction (\$ mil)
27-03-19	16-06-20	Saudi Arabian Oil Co	SABIC	69,100
25-06-19	08-05-20	AbbVie Inc	Allergan PLC	62,117
29-04-18	01-04-20	T-Mobile US Inc	Sprint Corp	26,761
19-07-19	01-06-20	Asahi Group Holdings Ltd	AB INBEV SA/NV-Carlton Brewer	11,320
03-06-19	16-04-20	Infineon Technologies AG	Cypress Semiconductor Corp	9,847
11-03-19	27-04-20	Nvidia Corp	Mellanox Technologies Ltd	6,851
02-10-19	05-05-20	Flutter Entertainment PLC	The Stars Group Inc	6,093
26-02-20	15-05-20	Blackstone Group Inc	IQ Student Accommodation Group	6,060
24-06-19	15-04-20	Capgemini SE	Altran Technologies SA	5,668
02-03-20	07-04-20	Gilead Sciences Inc	Forty Seven Inc	4,881
03-12-18	01-04-20	Hindustan Unilever Ltd	GlaxoSmithKline Consumer	4,650
27-02-20	17-06-20	Equitrans Midstream Corp	EQM Midstream Partners LP	4,246
19-12-19	03-06-20	Apergy Corp	ChampionX Holding Inc	4,241
04-07-19	30-06-20	Outotec Oyj	Metso Minerals Oy	3,986
11-03-20	28-04-20	PepsiCo Inc	Rockstar Inc	3,850
28-02-20	01-04-20	Shell Midstream Partners LP	Shell Midstream Partners GP	3,808
24-12-19	22-06-20	Wesco International Inc	Anixter International Inc	3,583
13-03-19	17-06-20	Shimge Pump Ind Grp Co Ltd	Tianshan Alum Co Ltd of The	3,543
19-06-19	06-06-20	Harbin High-Tech(Grp) Co Ltd	Xiangcai Sec Co Ltd	2,882
07-02-20	01-06-20	Fidelity National Financial	FGL Holdings	2,843
26-07-18	14-04-20	Novelis Inc	Aleris Corp	2,800
12-03-19	02-06-20	Zhefu Holding Group Co Ltd	Zhejiang Shenlian Envi	2,510
10-10-19	02-04-20	UCB SA	Ra Pharmaceuticals Inc	2,418
12-12-19	20-05-20	Bangkok Bank PCL	PT Bank Permata Tbk	2,282
23-12-19	23-04-20	Diamond Eagle Acquisition Corp	DraftKings Inc	2,055





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