

Global M&A market sees first positive performance in three years, although too early to call signs of green shoots



Despite announced M&A deals coming back with a bang in the third quarter as boards went on a pandemic deal spree, new data on completed deals demands some caution.

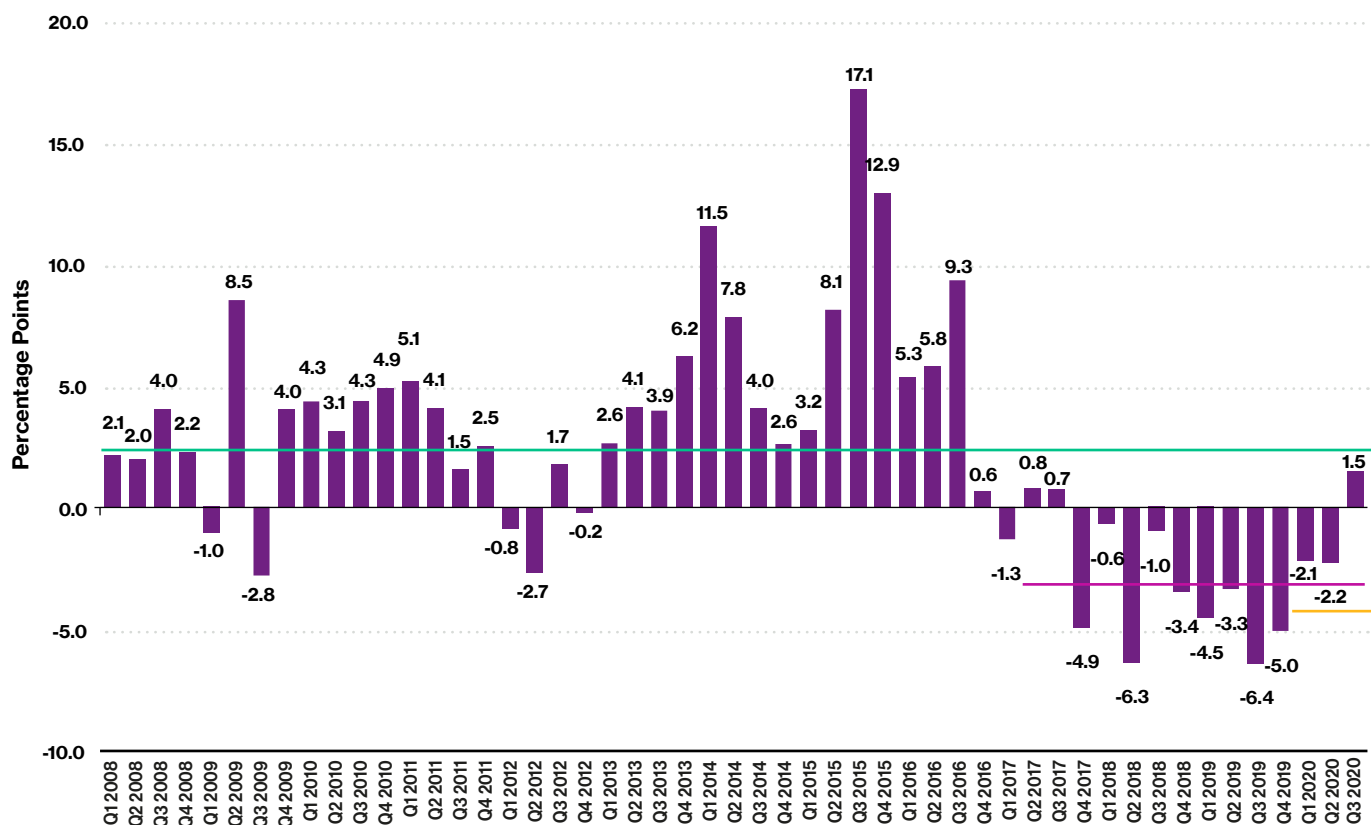
The global M&A market recorded its first positive performance in three years for completed deals, despite the impact of the COVID-19 pandemic on dealmaking during 2020, reveals new M&A data from Willis Towers Watson.

Based on share price performance, the latest results from Willis Towers Watson's Quarterly Deal Performance Monitor (QDPM), run in partnership with the M&A Research Centre at The Business School (formerly Cass), show that buyers outperformed the MSCI World Index¹ in the third quarter of

2020, with a performance of +1.5 pp (percentage points) above the Index. This is the first positive performance by acquirers since the third quarter of 2017 (+0.7 pp).

However, deal volumes are at their lowest level for over a decade (since Q3 2009), with just 121 deals completed in the last three months. The ongoing economic impact and uncertainty caused by the pandemic have continued to depress deal completions globally.

Figure 1. M&A quarterly analysis – global performance



— The green line above (2.2pp) shows the median adjusted performance of all acquirers throughout the period.

— The magenta line above (-3.0pp) shows the median adjusted performance of all acquirers over a three year rolling period.

— The yellow line above (3.9pp) 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.

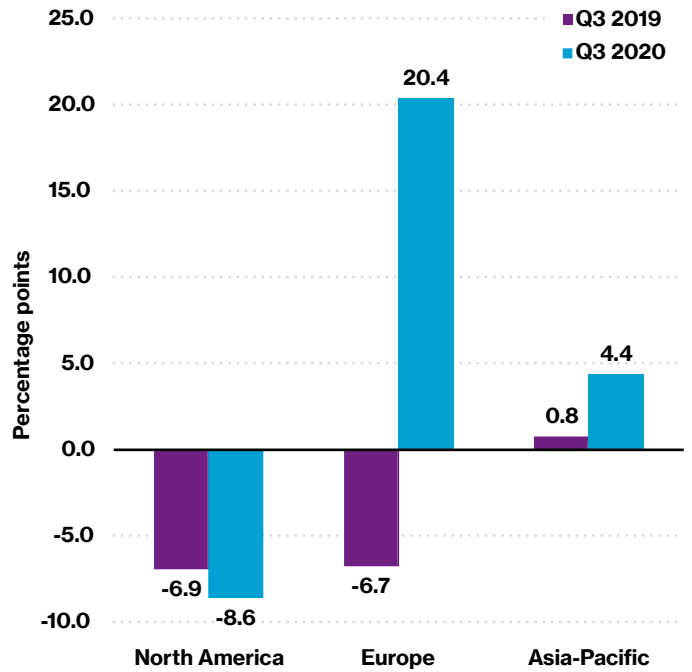
¹The M&A research tracks the number of completed deals over \$100m and the share price performance of the acquiring company against the MSCI World Index, which is used as default, unless stated otherwise.



It is too early to interpret the flurry of announced deals in recent months as a sign that M&A is on the rebound. Our research on completed deals and their performance provokes a more cautious response. With the volume of completed deals at its lowest in a decade, and performance of North American deals at rock bottom, fuelled by enduring pandemic, economic and political uncertainty, buyers need to be both bold and careful.

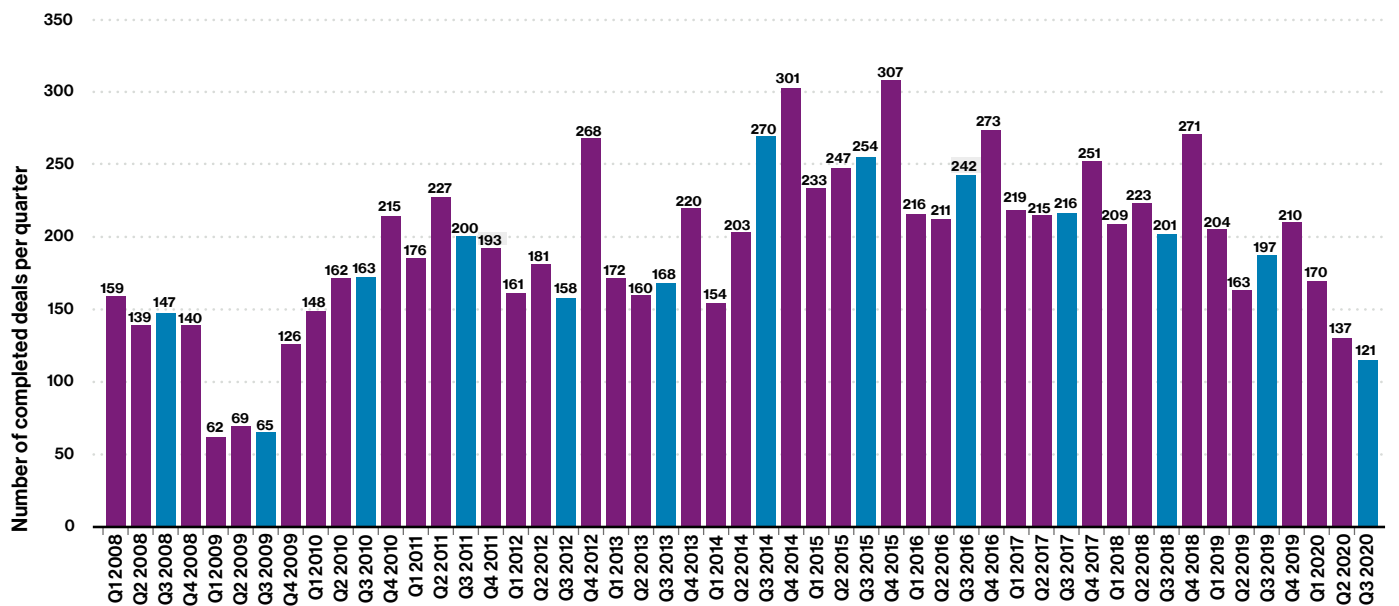
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Figure 2. M&A Regional Analysis – Q3 2019 and Q3 2020



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

Figure 3. M&A quarterly analysis – global volume





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COVID-19 was a massive shock, hitting economies and stock markets globally, yet instead of collapsing, M&A deals continue to defy gravity. Compared with previous economic cycles, the amount and diversity of capital available for M&A is extraordinary, assisted by historically low interest rates. Buyers who act decisively and with robust due diligence to exploit opportunities during this period of uncertainty could see higher returns than their industry peers and drive long-term growth.

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:

- **European acquirers resilient** – Buyers in Europe are currently +20.4 pp above their regional index, with 30 deals closing in Q3. This is the first time in two years that Europe has recorded four consecutive quarters of positive performance.
- **North American M&A performance at rock bottom** – Dealmakers in North America had their worst quarterly performance since the QDPM Index launched in 2008. They significantly underperformed their regional index by -8.6 pp, with 52 deals completed in Q3 2020, and completed the joint lowest number of deals since 2009 (on par with Q2 2020).
- **Asia-Pacific maintains positive trend** – The region continues the positive performance recorded in H1 2020 by outperforming its index with a performance of +4.4 pp, with 35 deals closed in Q3 2020. For the first time since 2017, Asia Pacific acquirers have achieved two consecutive quarters of outperformance.

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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 per cent 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 per cent 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

	Q3 2019	Q2 2020	Q3 2020	2019	2020(YTD)
Mega deals (over or equal \$10bn)	-7.3	-7.2	25.1	-3.7	4.4
Large deals (over or equal to \$1bn)	-1.5	-1.8	-11.3	-1.6	-2.6
Medium-sized deals (under \$1bn)	-7	-6.3	2.2	-6.5	0.3
Domestic	-5.4	-5.6	1.9	-7.3	-2
Cross-border	-9.1	0.9	-1.5	0	0.2
Intra-regional	-5.7	-7.7	1.9	-6.6	-2.6
Cross-regional	-9.4	9.6	-1.5	0	5.1
Intra-sector	-6.6	-8.9	-3.8	-5.6	-5.6
Cross-sector	-6.1	4.3	7.7	-3.2	5.6
Quick deals	-5.3	-3.4	3.2	0.6	1.4
Slow deals	-7.3	-2.2	-4.6	-8.3	-3.4

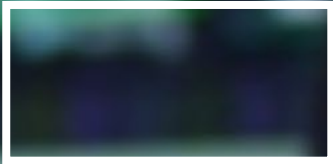
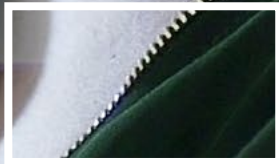
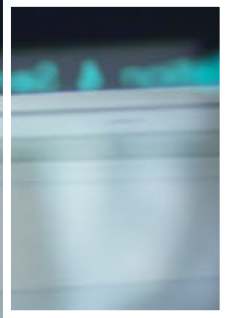
NB: The share price returns have been adjusted to Index returns over the corresponding period. The MSCI World Index is used as default, unless stated otherwise. 'Quick' deals refer to those transactions which had a median time to completion of less than 70 days, whereas 'slow' deals are those which had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

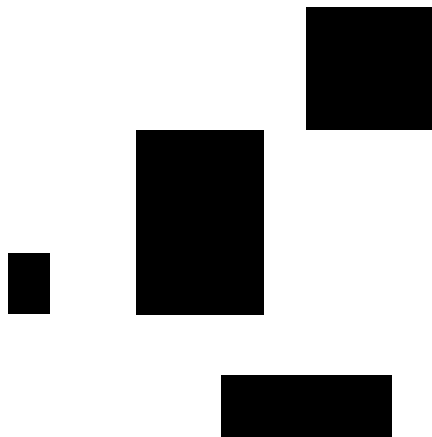
Appendix B. Deal volumes and values by industry and region: Q3 2020

	Q3 2020	Median Deal Value (USDm)
All	121	278
Asia-Pacific	35	217
Europe	30	279
North America	52	328
Rest of the world	4	230
Consumer Products & Services	3	546
Consumer Staples	11	260
Energy & Power	6	282
Financials	28	403
Healthcare	15	319
High Technology	23	250
Industrials	9	279
Materials	16	218
Media & Entertainment	4	815
Retail	4	398
Telecommunications	2	135
Domestic	81	235
Cross-border	40	365
Asia-Pacific	8	304
Europe	18	320
North America	14	399
Rest of the world	-	-
Intra-regional	97	260
Cross-regional	24	365
Asia-Pacific	5	358
Europe	9	360
North America	10	382
Rest of the world	-	-
Intra-sector	82	271
Cross-sector	39	279
Asia-Pacific	14	171
Europe	9	279
North America	16	564
Rest of the world	-	-
Quick deals	45	260
Slow deals	76	293
Large deals (over or equal to \$1bn)	21	2,039
Mega deals (over or equal to \$10bn)	2	

Appendix C. Top 25 deals by value of transaction: Q3 2020

Date announced	Date effective	Acquirer name	Target name	Value of transaction (\$ mil)
24/06/2019	20/07/2020	Eldorado Resorts Inc	Caesars Entertainment Corp	15,466
06/08/2020	04/09/2020	Intercontinental Exchange Inc	Ellie Mae Inc	10,981
17/12/2018	01/07/2020	Hitachi Ltd	ABB Ltd-Power Systems Division	9,400
20/08/2019	03/08/2020	Elanco Animal Health Inc	Bayer AG-Animal Health Bus	6,893
18/02/2020	31/07/2020	Franklin Resources Inc	Legg Mason Inc	6,592
13/08/2020	03/09/2020	Roper Technologies Inc	Vertafore Inc	5,350
06/12/2019	22/07/2020	Phoenix Group Holdings PLC	ReAssure Group PLC	4,274
17/08/2020	28/09/2020	Sanofi SA	Principia Biopharma Inc	3,674
11/02/2020	27/08/2020	PT Indofood CBP Sukses	Pinehill Co Ltd	2,998
16/01/2020	28/08/2020	Far Point Acquisition Corp	Global Blue SA	2,564
02/07/2020	29/09/2020	Graf Industrial Corp	Velodyne Lidar Inc	2,039
10/04/2020	31/08/2020	KB Financial Group Inc	Prudential Life Ins Co SK	1,948
01/06/2020	01/07/2020	Zynga Inc	Peak Oyun Yazilim & Pazarlama	1,934
16/07/2020	28/09/2020	TCL Technology Group Corp	Tianjin Zhonghuan Electns &	1,829
27/07/2020	15/09/2020	Black Knight Inc	Optimal Blue LLC	1,800
13/02/2020	10/07/2020	Schneider Electric SE	RIB Software SE	1,552
19/12/2019	01/07/2020	PolyOne Corp	Clariant-Masterbatches busines	1,500
05/05/2020	02/07/2020	Alexion Pharmaceuticals Inc	Portola Pharmaceuticals Inc	1,460
26/07/2019	01/07/2020	DISH Network Corp	Sprint Corp-Prepaid business	1,400
22/01/2020	15/09/2020	Galp Energia SGPS SA	ACS-Solar Photovoltaic Assets	1,232
05/06/2020	28/08/2020	Collier Creek Holdings	Utz Quality Foods LLC	1,151
18/04/2019	23/09/2020	Canopy Growth Corp	Acreage Hldg Inc	958
24/08/2020	24/08/2020	Acadia Pharmaceuticals	Cersci Therapeutics Inc	940
13/07/2020	21/09/2020	Hewlett Packard Enterprise Co	Silver Peak Systems Inc	925
12/03/2020	03/07/2020	Wingtech Technology Co Ltd	Beijing Guanghui Asset Mgmt	911





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