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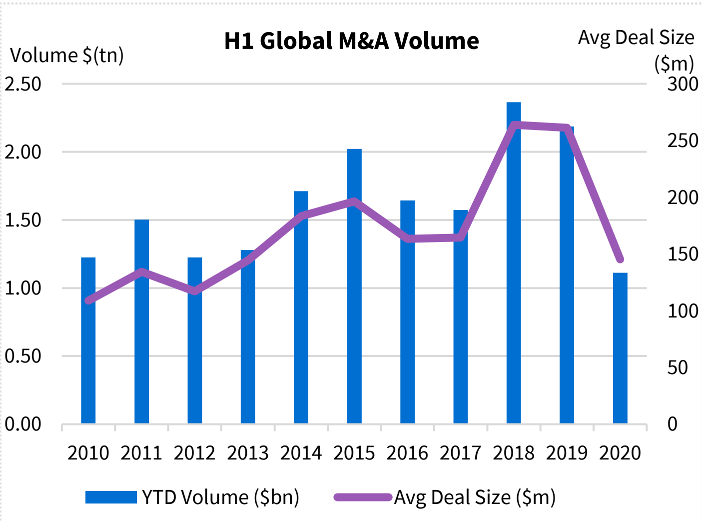
DEALOGIC INSIGHTS

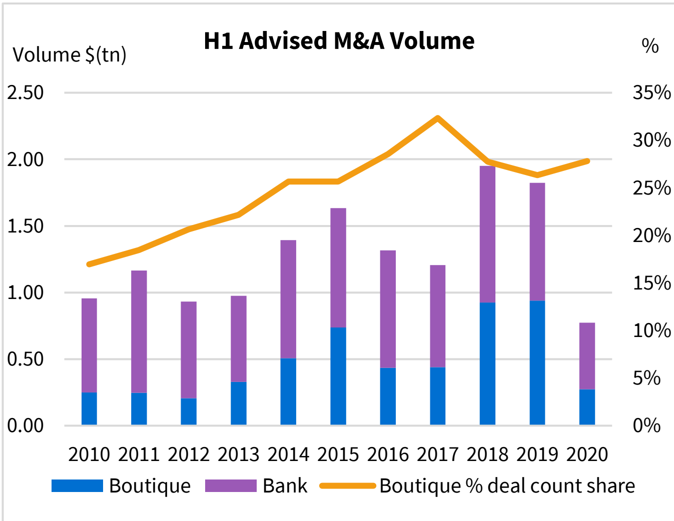
M&A Highlights: First Half 2020

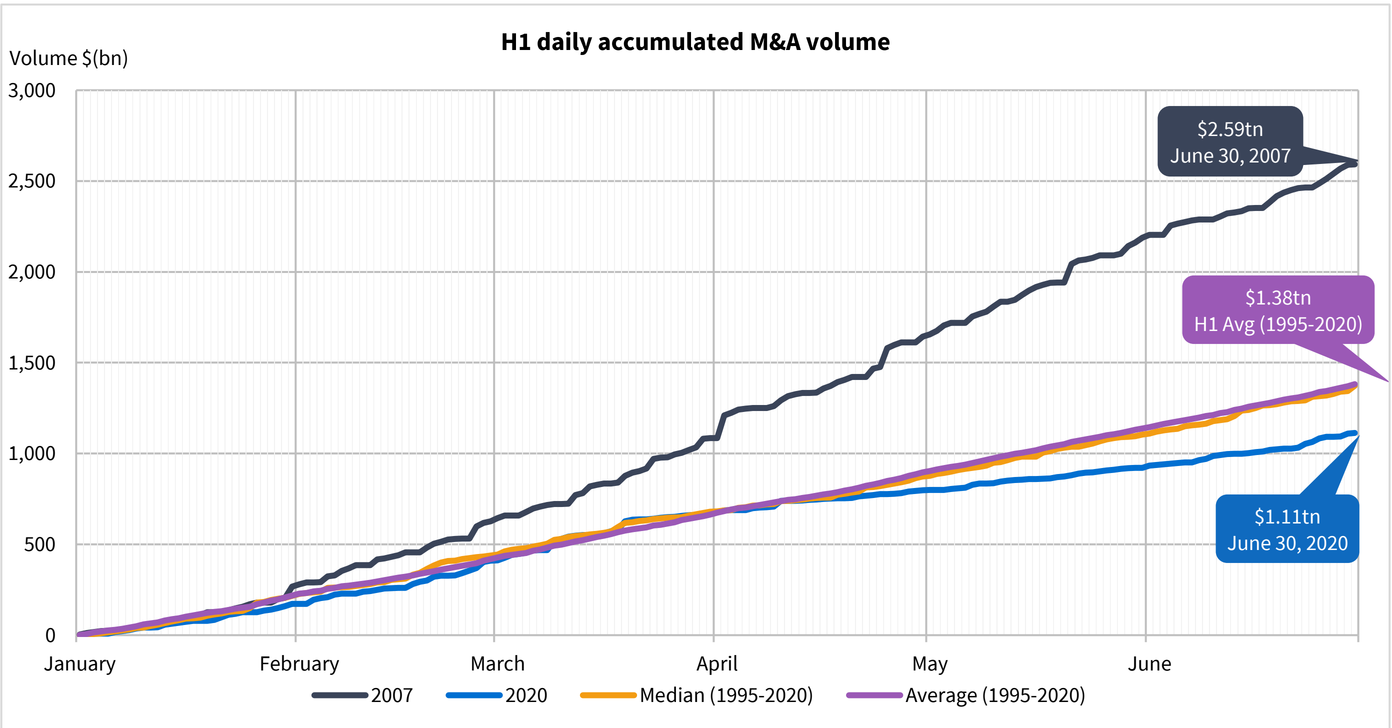
Global M&A volume at record low

Global M&A volume is down but boutiques' share is maintained

H1 2020 faced many crises: COVID-19, market crash, civil rights protests and a global scale quarantine. As a result, M&A activity has been deeply affected and reached its lowest activity for at least the past 15 years with $1.11tn across 15,217 deals, a 49.3% decline year-on-year in volume and 15.6% in deal numbers.
Boutique firms have managed to preserve their space on advised M&A deals and have closed H1 2020 with 27.8% of advised deals with a boutique firm present, a slight increase from last year's 26.3% share, which indicates boutique firms are here to stay.

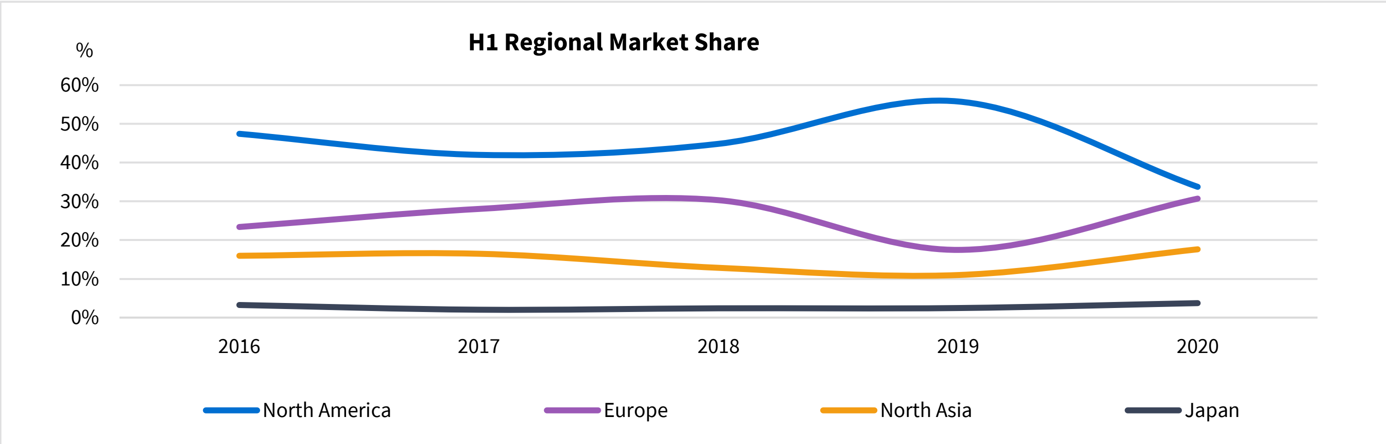






North America Volume Market Share Below Average

North America in H1 2020 saw the biggest decline in announced deal volume with $375.7bn recorded, which is a reduction of 69.2% compared to H1 2019 volume of $1.2tn. In comparison, Europe and North Asia saw a smaller decrease in volume with $341.9bn and $196.3bn for H1 2020, respectively, which is a decrease of 10.5% and 18.3% year-on-year. This has resulted in European and North Asian market share being above average compared to the last five years whereas North America is currently below average. A reason for the greater decline in North America M&A compared to other regions could be that they were hit hardest by the COVID-19 global pandemic.



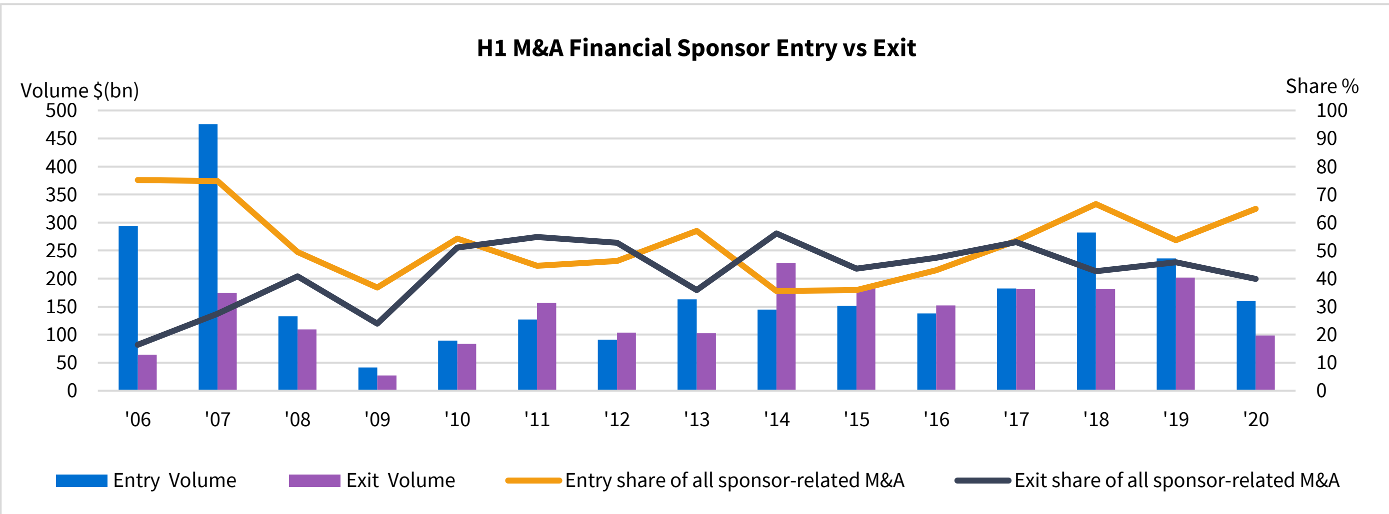
Sponsor Overview

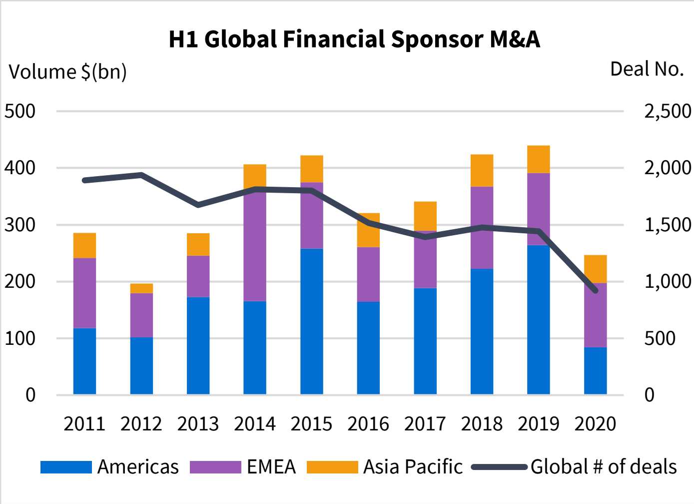
The global strategic M&A volume reached just $829.8bn via 13,444 deals in H1 2020, representing a staggering fall of 50.3% in volume compared to the same period in 2019, while the same trend was also seen in global sponsor M&A, with just $283.5bn via 1,773 deals, the lowest H1 volume since 2012.

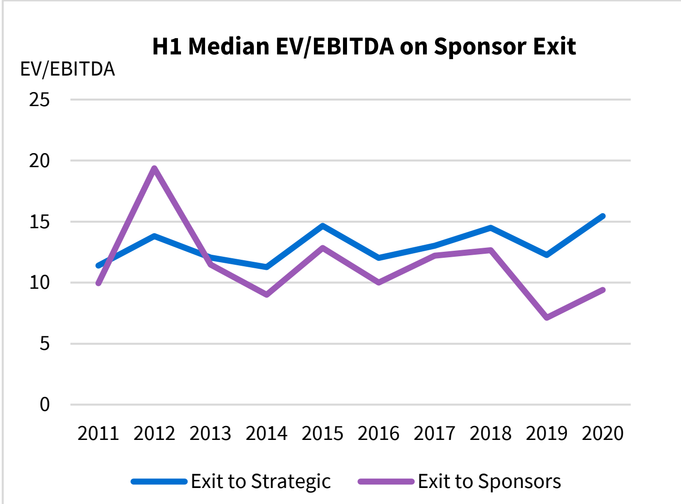
Similarly, sponsor entry M&A volume dropped to the lowest level since 2016 with $160.4bn via 629 deals, while exit volume fell to the lowest since 2010 with $98.6bn via 312 deals. For the first time since H1 2014, EMEA has overtaken the United States to have the largest share of all sponsor-related M&A, largely thanks to the acquisition of the elevator technology business of ThyssenKrupp by RAG-Stiftung, Advent International and Cinven Ltd for $18.8bn announced in February 2020.

Higher valuations for Exit to Strategic

While it could be speculated that COVID-19, which led to market volatility and uncertainty, would push valuations down for M&A transactions, the global median EV/EBITDA multiple for sponsor exit to strategic buyers has surprisingly reached 15.5x in H1 2020, the highest level for the last decade, compared with the exit to sponsor companies with a median EV/EBITDA multiple of 9.4x.



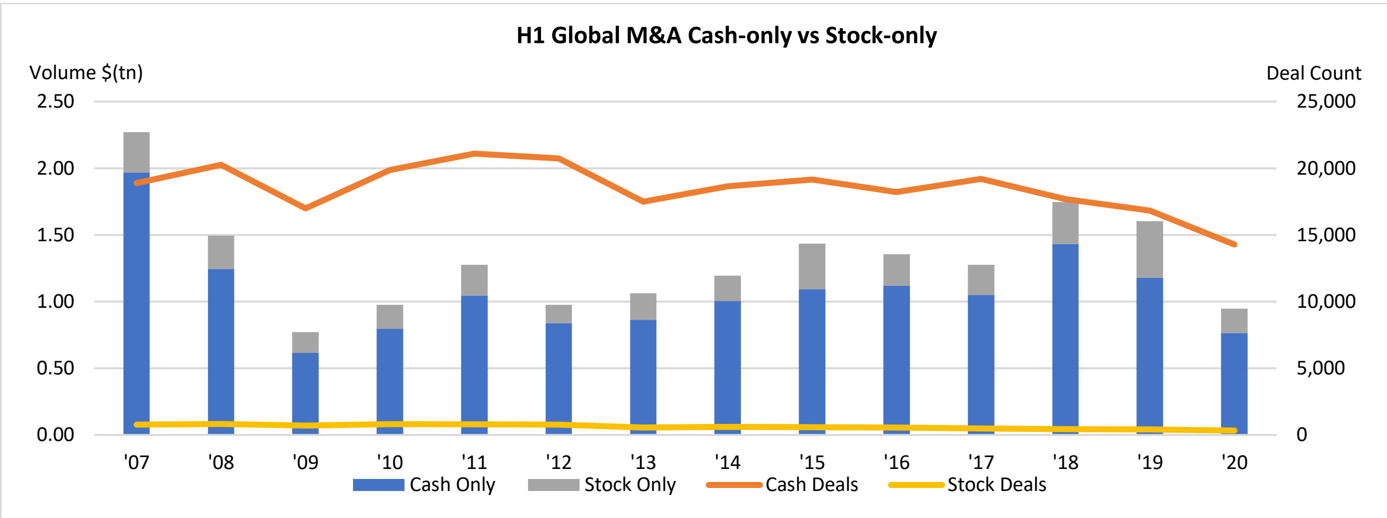




Cash prevails during COVID-19 era

Since the outbreak of the COVID-19 pandemic, companies across the globe have suffered with many falling into administration and some receiving state-aid in order to survive. What has been clear though is that those companies with cash on their balance sheets have been largely driving M&A volume during H1 2020. Cash-only transactions reached $763.5bn in volume via 14,283 deals, representing decreases of 35.3% and 15.1%, respectively in comparison to 2019. Targets which were based in Asia Pacific, for the first time in history, accounted for the most volume and deal count during H1 2020.

As share prices have tumbled since the outbreak, stock-only deals recorded just $183.6bn in volume via 333 deals taking place during H1 2020, the lowest in volume and deal count since 2012. Companies have not been able to rely on their own common stock as a means of financing an M&A takeover so therefore those with the strongest balance sheets and excess cash on hand have had an edge over their peers. According to the data, traditional financing approaches such as through debt capital markets, loans and equities, have fallen drastically in H1 2020 with just $130.6bn in volume, representing a year-on-year decrease of 72.9%. This rather reinforces that for any M&A to be announced during the COVID-19 era, cash is the way forward.



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