

Reset: M&A's New Normal

Global M&A volumes surged to \$5.9 trillion in 2021, eclipsing the previous record set in 2007 and marking the largest M&A year in history. Transactions small, large and “mega” drove innovation and transformation across industries through the acquisition of new capabilities, the adoption of ESG initiatives and the integration of technology into every part of the economy.

By the numbers: global M&A volumes over the last 20+ years

Deal value at announcement (in Trillion / USD)

- 2000 – over \$3.0 Trillion
- 2007 - \$4.6 Trillion
- 2014 - ~\$3.5 Trillion
- 2021 - \$5.9 Trillion

In November, we surveyed global investment banking clients to evaluate key transaction drivers and what to expect in 2022

Over 75% of surveyed clients executed deals in 2021.

Those surveyed represent:

By region –

Americas:	62%
Europe:	31%
Asia:	7%

By client type –

Corporate:	79%
Financial sponsor:	17%
Other:	4%

3 primary drivers of M&A strategy...

Both corporates and financial sponsors continue to look for innovative ways to deploy capital and opportunities to pursue transformational growth, fueling significant activity.

Scale/growth

Over 80% consider scale-up acquisitions a part of their strategic model for growth acceleration.

Relative competitive positioning

Clients continue to look for differentiating opportunities to win mind share with their customers: 63% turned to acquisition of new tech/tech capabilities to do so.

Synergies

~75% signify drive for efficiency continues to be an important factor in M&A decisions – and markets have continued to “give credit” for announced synergies.

...account for robust activity across industries...

\$1T in tech M&A, the highest-ever full year volumes

2021 YoY increase in industry volume
(Sorted by volume)

2021 vs prior 5-year average

Tech, Media & Telecom -----	78%	+110%
Natural Resources-----	54%	+19%
Industrials-----	74%	+66%
Healthcare-----	62%	+54%
Financial Institutions-----	39%	+54%
Real Estate-----	113%	+28%
Consumer Retail-----	48%	+29%

...as ESG catapults to the forefront...

Specifically influencing existing operations and reshaping portfolios.

40% indicated ESG initiatives played an influential role in their 2021 M&A strategy

Despite record M&A levels, deal sourcing remains a consistent challenge

Even with strong corporate balance sheets and high levels of uncommitted capital, market participants will need to explore new ways to create meaningful value for shareholders and investors.

Measuring the challenges for deal sourcing in 2021

Challenges underscored by

Extremely challenging -----19%

(1) High valuations

Moderately challenging-----65%

(2) Competition for attractive assets

Not challenging at all-----16%

(3) Ongoing COVID-19 concerns

(4) Market volatility/uncertainty

(5) Regulatory environment

Challenges can be overcome through creativity and innovation - in 2021, companies recast their assets into different geographic regions using spinoffs and spin-mergers, which became instrumental alternatives in the sell-side M&A playbook.

Clients remain optimistic as they define 2022 M&A strategy. We're expecting another busy year underscored by:

Virtual dealmaking

As COVID-19 concerns linger, 80% of surveyed clients continue to find virtual meetings an effective alternative to in-person meetings.

Strong corporate balance sheets

Companies continue to hold record levels of cash on their balance sheets, of which an increasing proportion is being used for M&A.

Mounting dry powder

Uninvested financial sponsor global dry powder has increased nearly 60% in just five years and continues to climb

Consideration for cross-border M&A

55% are somewhat or extremely likely to engage in cross-border M&A in 2022.

Subsiding regulatory concerns

40% say recent or anticipated regulatory developments have not directly impacted M&A outlook.

Likelihood to pursue M&A in 2022

Extremely unlikely

Extremely likely

1 2 3 4 5 6 7 **8** 9 10

And momentum keeps increasing