Q1 2022 M&A Review

April 2022

Key Takeaways

1

The global M&A momentum hit a hard brake in Q1 2022. Transactions (deal value and deal volume) fell across all categories. The total deal value was close to USD844 billion (bn) in Q1 2022, dropping 26% from the last quarter and 35% from Q1 2021.[1] The biggest hurdles behind reduced M&A activity include the general economic uncertainty exacerbated by the ongoing supply chain issues and the war between Ukraine and Russia.

2

Judging by what we've seen so far, the special purpose acquisition company (SPAC) bubble appears to have gone bust. As of Q1 this year, SPACs have raised USD10.1 bn, 89% lower than the corresponding period in 2021. Also, there have only been 38 SPAC combinations this quarter, a 65% drop in volume, and an 86% decrease in total deal value.[2]

3

Real estate posted its strongest opening quarter since 1980 with a deal value of USD 125.5 bn.[3] The communications sector topped the quarter, primarily on the back of the USD79.5 bn Activision Blizzard deal by Microsoft. The financial and IT sectors continue to remain strong.

4

In terms of regions, deal volume in the US and Canada saw the lowest declines quarter-on-quarter (Q1 2022 vs Q1 2021). EMEA had the biggest slump with a 56% decline in deal volume compared to Q1 2021.[4] The current geopolitical situation in Europe is likely the most significant factor.

5

Private equity (PE) firms showed resilience in Q1 2022, contributing to 18% of total deals. One of the biggest PE-backed deals in this quarter was the acquisition of the US-based data analytics firm, Nielsen Holdings, by Brookfield Business Partners and Evergreen Coast Capital Corp for USD16 bn.[5]

[1,3,4,5]S&P Capital IQ and RocSearch analysis; [2]Law.com

Q1 2022 Deals Snapshot

Yearly Snapshot

Total Number of Transactions	12,571
Average Deal Value (USD mn)	235.17
Total Deal Value (USD bn)	844
Average EV/EBITDA	19.97

Number of Deals by Transaction Ranges (USD)*

	Q1 2022	Q4 2021	% Growth	Q1 2021	% growth
>$1 bn	143	223	↓ -55.9%	254	↓ -77.6%
$500-999.9mn	127	180	↓ -41.7%	143	↓ -12.5%
$100-499.9mn	555	878	↓ -58.1%	675	↓ -21.6%
< $100mn	2,777	3871	↓ -39.3%	3,890	↓ -40%

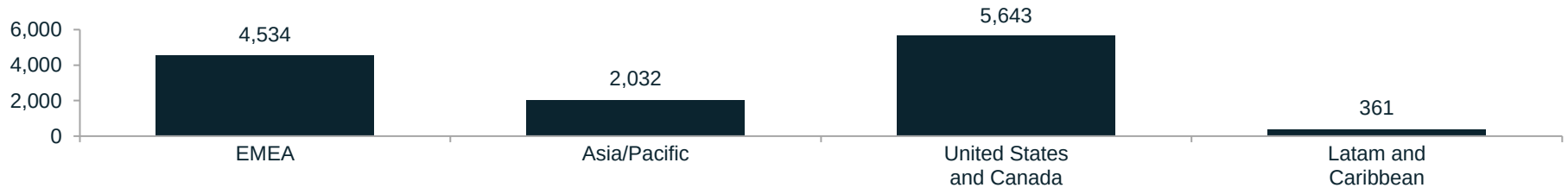
Quarterly analysis: Deal value and Deal volume*

	Q1 2022	Q4 2021	% Growth	Q1 2021	% growth
Total deal volume	12,571	13,815	↓ -9.89%	14,071	↓ -11.9%
Total deal value (USD bn)	844	1063	↓ -25.94%	1,142	↓ -35.3%

Quarterly analysis: Number of deals per region*

	Q1 2022	Q4 2021	% Growth	Q1 2021	% growth
US & Canada	5,643	6,478	↓ -15.28%	5,945	↓ -5.3%
EMEA	4,534	5,231	↓ -15.37%	7,079	↓ -56.1%
Asia Pacific	2,032	2,885	↓ -41.97%	2,788	↓ -37.2%

Regional Share by Number of Transactions



> *We've had a really favourable rate environment for a couple of years here, but I think the market is coming around to the understanding that the party is coming to an end.*
>
> – Brad Laken,
> Partner, White&Case

> *The Fed's push to fight inflation by raising its benchmark federal funds rate may be one of the chief deterrents to M&A activity this* year.
>
> – Emilie Feldman,
> Professor, Wharton school

Sources: S&P Capital IQ, Thomson Reuters Eikon
* % growth has been calculated by comparing Q1 2022 with Q4 2021 and Q1 2022 with Q4 2021

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Top Deals and Sector Snapshot

Top Deals of Q2 2022

Target	Buyer/Investor	Target Country	Deal Value (USD mn)	Target Industry	Date (dd-mm-yy)
Activision Blizzard Inc.	Microsoft Corp.	US	79,590.14	Communication Services	18-01-22
Citrix Systems Inc.	TIBCO Software Inc.; Evergreen Coast Capital Corp.	US	17,182.11	Information Technology	31-01-2022
Zendesk Inc.	NA	US	16,694.52	Information Technology	10-02-2022
Nielsen Holdings plc.	Brookfield Business Partners L.P; Evergreen Coast Capital Corp.	US	16,142.6	Industrials	20-03-2022
Kohl's Corp.	Acacia Research Corp.	US	15,928.1	Consumer Discretionary	20-03-22
Zynga Inc.	Take-Two Interactive Software Inc.	US	13,480.89	Communication services	10-01-22
First Horizon Corp.	The Toronto-Dominion Bank	US	13,350	Financials	28-02-2022
Alleghany Corp.	Berkshire Hathaway Inc.	US	11,409.83	Financials	21-03-22
Mobility and Materials Business of DuPont de Nemours Inc.	Celanese Corp.	US	11,000	Materials	18-02-2022
Anaplan Inc	Thoma Bravo L.P.	US	10,753.4	Information Technology	20-03-2022

Q1 2022 Sector Snapshot

Sector snapshot	Number of deals	Trans Value (USD bn)	TEV/ Revenue	TEV/ EBITDA	TEV/ EBIT	P/E
Industrials	2,284	92.44	1.06x	7.32x	8.61x	7.90x
Information Technology	1,756	86.05	1.89x	6.71x	6.38x	7.77x
Real Estate	1,748	125.5	13.06x	22.25x	30.43x	10.26x
Consumer Discretionary	1,381	52.68	1.29x	10.50x	8.51x	4.32x
Healthcare	965	54.54	2.65x	14.06x	13.86x	6.74x
Financials	903	101.6	NA	NA	NA	11.53x
Materials	693	35.94	1.90x	6.02x	6.21x	NA
Communication services	813	130,7	2.75x	6.56x	8.41x	NA
Consumer Staples	511	10.96	1.06x	11.15x	15.71x	15.71x
Utilities	284	30.44	4.13x	15.75x	29.31x	29.31x
Energy	192	28.05	1.70x	5.21x	5.93x	5.93x

Sources: S&P Capital IQ, Thomson Reuters Eikon

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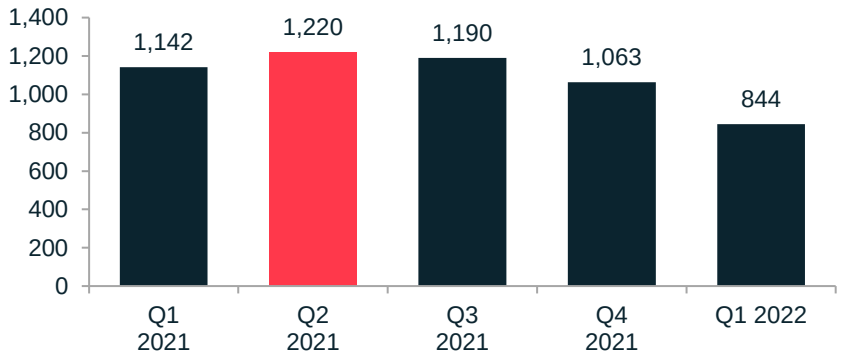
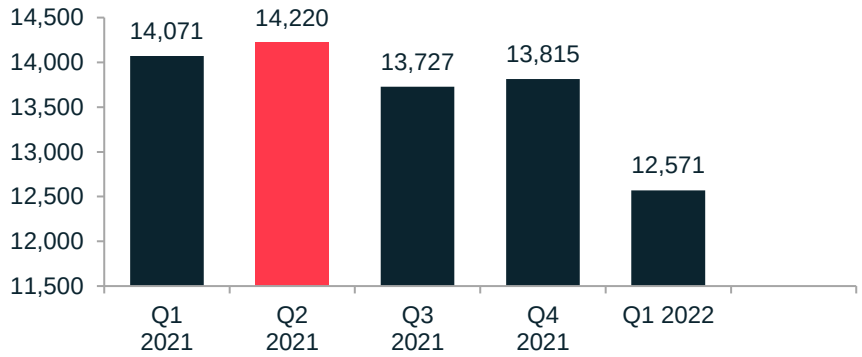
Global M&A Quarterly Dashboard

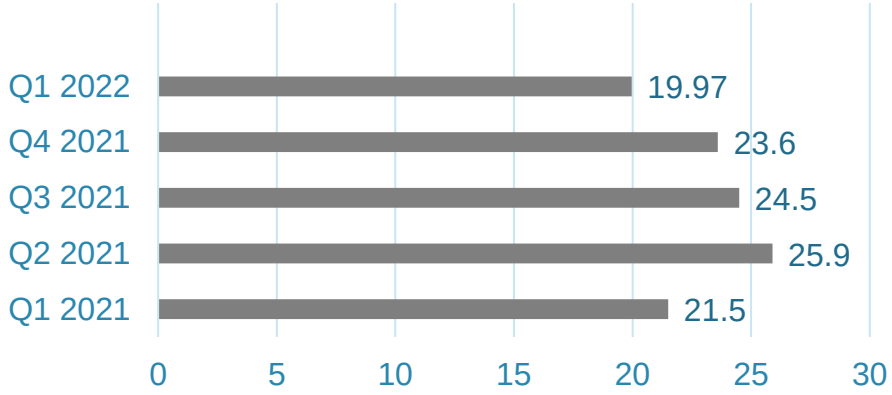
Total Deal Value (USD bn) Announced



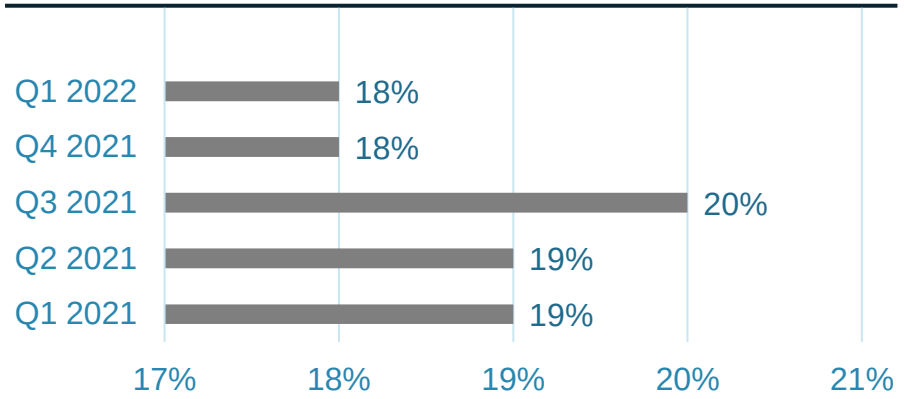
Total Deal Volume Announced



Average EV//EBITDA of Transactions



% of PE Involvement (# of transactions)



> *It's safe to say the deal-making environment has changed dramatically over the last three to six months, as world conflict, volatile stock markets and economic indicators have clearly caused boardrooms to evaluate the new landscape.*
>
> – Matt Toole
> Director, Refinitiv Deals Intelligence

Sources: S&P Capital IQ, Thomson Reuters Eikon

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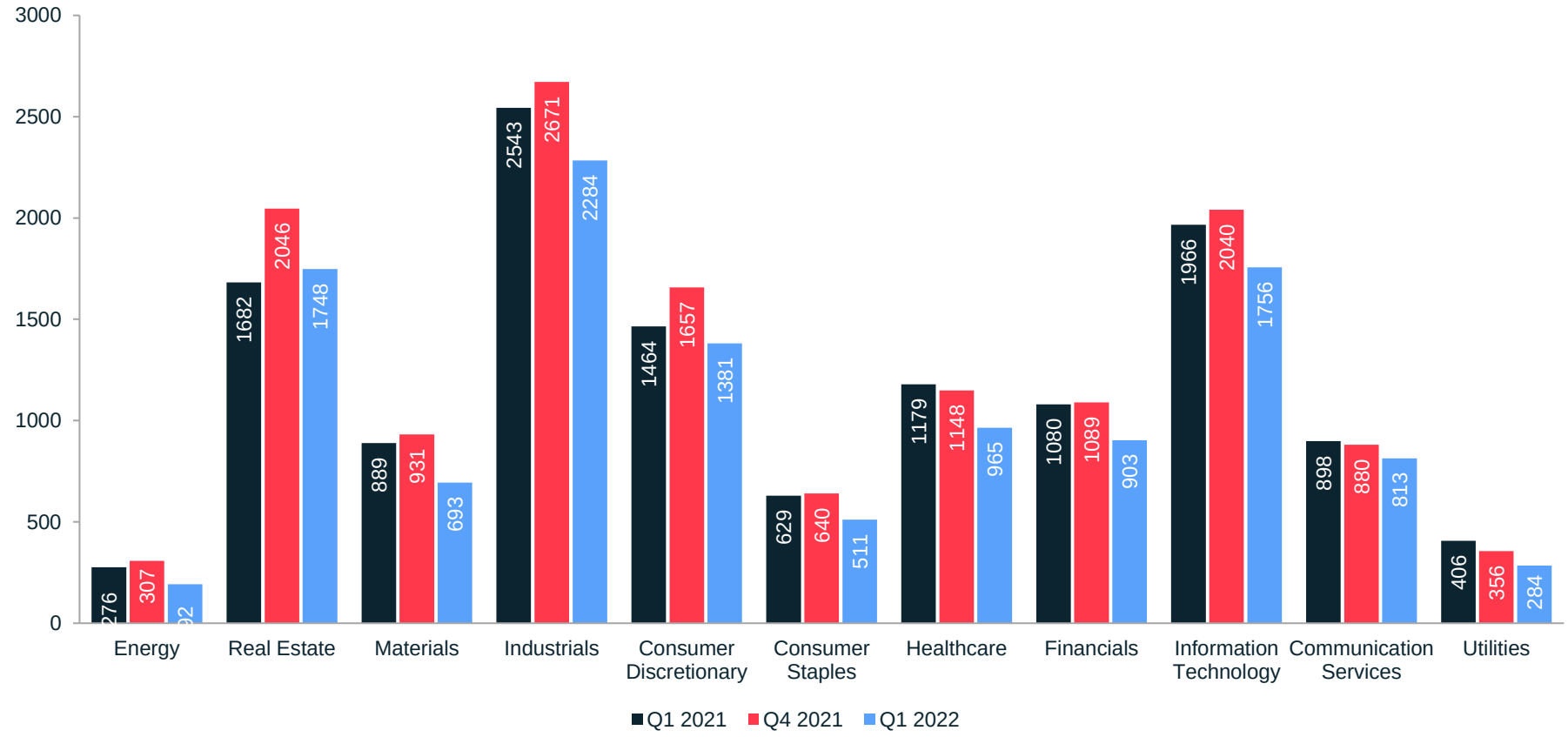
Sector Analysis (Year-on-Year) Deal Volume

Total Deal Volume per Sector



> *Deal-making may prove less robust in sectors still recovering from the pandemic, including travel, leisure and aerospace. Once these industries have clear visibility of the other side of COVID, M&A should bounce back aggressively, though that may be closer to 2023.*[1]
>
> – Pier Luigi Colizzi,
> Head of Investment banking,
> Continental Europe and co-head of
> EMEA M&A,
> Barclays

Sources: S&P Capital IQ, Thomson Reuters Eikon
[1]Reuters

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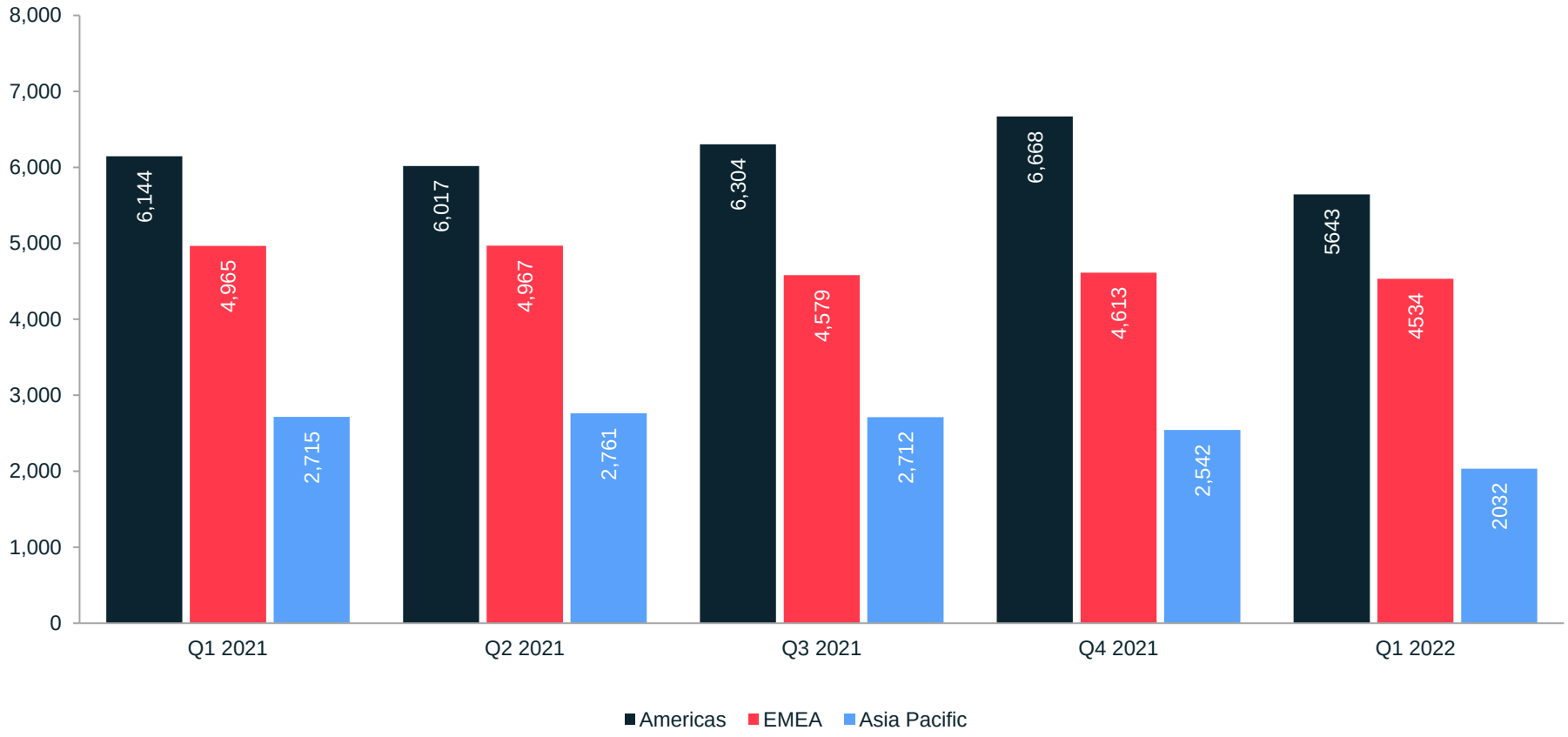
Regional growth: Quarterly deal activity



> *The uncertainty from geopolitical tensions, lower GDP growth, inflation, and the commodity cycle would typically dampen M&A activity. But the ambitions that we see among CEOs and boards to grow their businesses remain quite high.*[1]
>
> – Avinash Mehrotra
> Global head of activism and shareholder advisory,
> Goldman Sachs

Sources: S&P Capital IQ, Thomson Reuters Eikon
[1]Financial Times

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M&A Outlook for 2022

Deal Financing	▪ Cost of capital could come under pressure if interest rates are raised due to recent inflationary threats.
Hot Sectors	▪ Technology, finance and healthcare sectors are expected to see continued activity. Competition for good deals will likely increase, putting pressure on valuation multiples.
PE	▪ PE deal-making and fundraising are expected to continue apace in 2022. However, midmarket managers in both the US and Europe are mindful of high valuations and inflationary pressures as they deploy record amounts of cash.
ESG	▪ Environmental and Social Governance (ESG) considerations are increasingly crucial in deal-making and due diligence, a trend expected to accelerate in 2022.

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