

Chart of the Day

As the global economy locked-down during COVID, global M&A surged to new heights in 2021, exceeding \$5 trillion for the first time ever and easily eclipsing the prior record of \$4.4 trillion set in 2007. 2021 was also the first year that all four quarters posted global M&A volumes above \$1 trillion. US deal volumes rose 75% to \$2.6 trillion on the year, and private equity activity also set a new record at nearly \$1 trillion.

Looking ahead to 2022, we expect another year of very strong corporate activity given fortified corporate balance sheets (global corporate cash balances at nearly \$7 trillion), attractive credit markets, \$3 trillion of private equity dry powder, and GDP growth rates above long term historical trends.

As we highlight in more detail in our comprehensive 2022 outlook publication (to be released tomorrow), we expect many of these accelerating trends to continue in the year ahead.

10 M&A Trends to Watch in 2022

As the global economy locked-down during COVID, global M&A surged to new heights in 2021. We expect many of these accelerating trends to continue well into 2022.

- 1 Mega-deals (> \$10 bn) rose to new highs in 2021, despite increased anti-trust scrutiny**
 - 2021 set new records for mega deals: 106 deals > \$5 bn; 37 deals > \$10 bn ; 12 deals > \$20 bn*
 - Record cash balances and attractive financing markets for large deals
- 2 "Scope" deals to expand capabilities have risen to 56% of global deal volumes, vs "scale" M&A (consolidation, cost savings driven) at 44%**

Acquiring new technologies and capabilities; expanding product portfolios; optimizing supply chains; new production and distribution capabilities; expanding geographic footprint
- 3 Competition for assets remains fierce, driving deal volumes and valuations higher**

Abundant capital led by a proliferation of PE, VC, SPACs and strategic buyers driving supply-demand imbalances for assets
- 4 Private equity players will continue to drive M&A volumes in 2022**

PE driven M&A deals reached a record \$1 trillion in 2021; over \$3.3 trillion of PE dry powder
- 5 Well capitalized SPACs seeking targets over the next 12 - 24 months**

Over 450 listed SPACs actively seeking targets to invest IPO proceeds with sense of urgency
- 6 Technology as a pervasive driver of global M&A activity**
 - Tech accounted for 27% of 2021 global M&A (double the 20 year average); \$400 bn of 2021 tech sector PE deals (2x 2020)
 - High % of SPACs have investment objectives focused on tech and emerging technologies
- 7 Carve-outs and spins becoming more prominent**

Raise cash; reduce debt; optimize portfolios; realizing value; "focus on the core"
- 8 Cross-border activity at record highs, despite increased scrutiny globally**

Cross border deals nearly doubled in 2021 (driven by US-European deals)
- 9 ESG and "sustainability" integral to purchasing, rationalizing and divesting assets**
 - Over 60% of dealmakers highlighted ESG in both potential and abandoned deals (Source: MergerMarket 2021 Survey)
 - Acquisition costs need to factor in alignment with announced net zero commitments
- 10 Governments globally continue to expand their scrutiny of M&A, with more rigorous anti-trust enforcement and cross-border deal reviews**

More pre-announcement preparation; longer regulatory review periods; longer termination periods; smaller regulatory break-up fees; more complex deal risk; enhanced due diligence and mandatory filing requirements

Source: Refinitiv, BCG, KPMG, Squire Patton Boogs, Cravath, Dykema, Intralinks, Bain, Pitchbook, Paul Weiss, PwC. *includes both announced and closed deals in 2021

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