

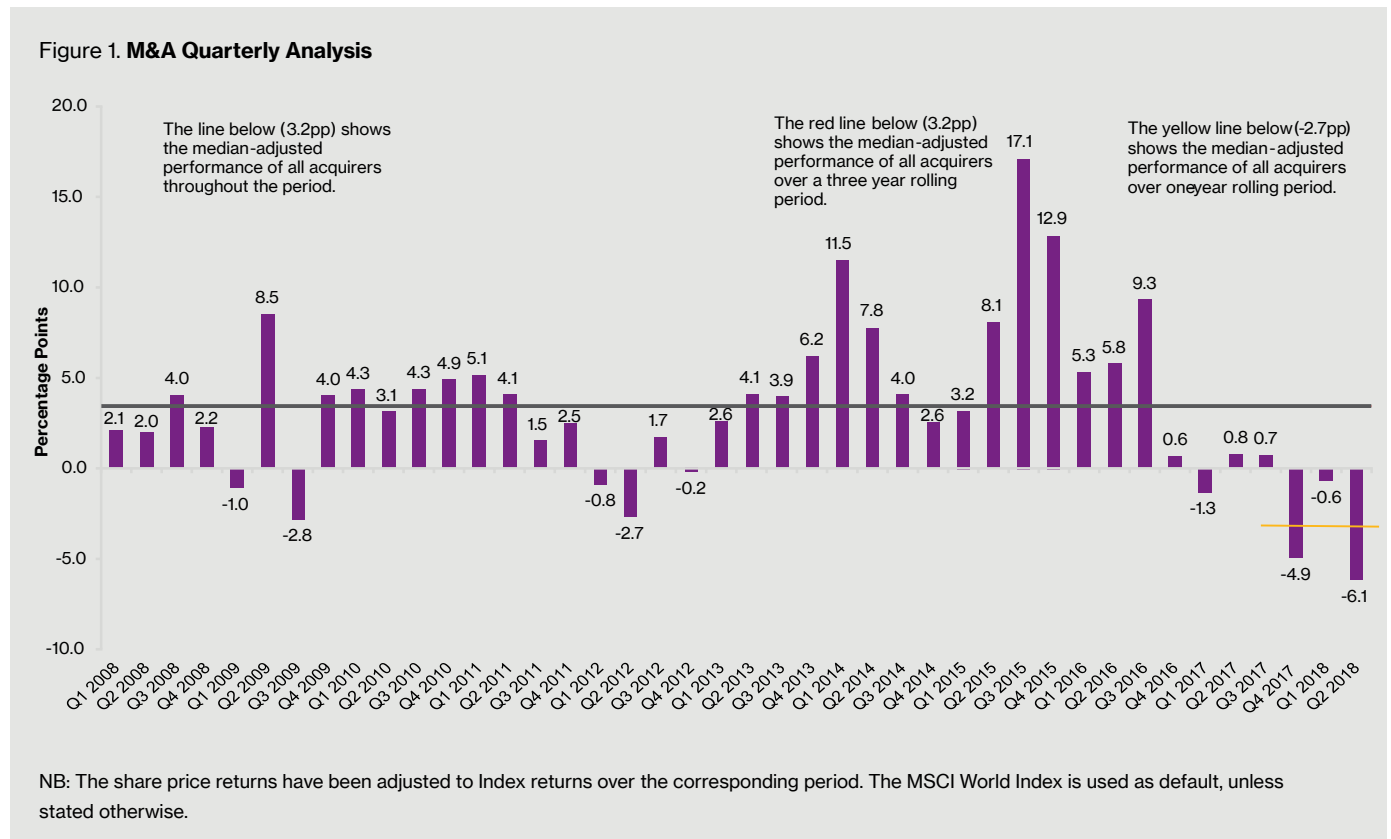
# M&A performance in freefall but deal numbers hit levels rarely seen since financial crisis

M&A – Quarterly deal performance monitor Q2 2018



# M&A performance in freefall but deal numbers hit levels rarely seen since financial crisis

UK M&A success bucks global trend with international approach to deals, while other regions fail to find value with increasingly domestic-led acquisitions



**LONDON, Monday 25 June, 2018** – The global M&A market recorded its worst ever performance in the second quarter of 2018 since the launch of the Quarterly Deal Performance Monitor (QDPM) by Willis Towers Watson in 2008. As the overall volume

of mergers and acquisitions remains on track to beat the post-crisis high of 2015, dealmakers struggled to add value and on average underperformed the Index by 6.1pp (percentage points) in the last three months.

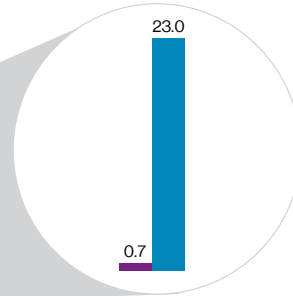
<sup>1</sup>MSCI World Index is used as default, unless stated otherwise.

Figure 2. **Acquirer Returns Adjusted to the MSCI Regional Index**

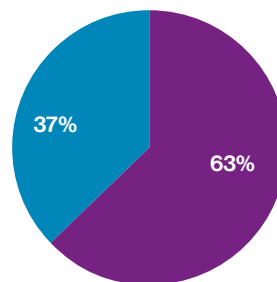


NB: The share price returns have been adjusted to Index returns over the corresponding period. The MSCI World Index is used as default, unless stated otherwise.

**UK bucking the trend**

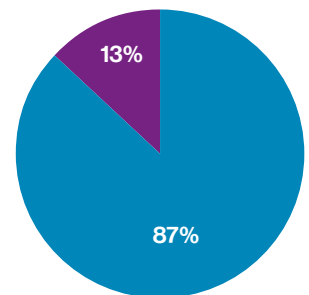


**UK: Majority of UK Transactions, 63%, overseas**



Overseas  
Domestic

**US: Minority of transactions, 13%, overseas**



Overseas  
Domestic

UK acquirers managed to buck this negative worldwide trend, recording a strong performance of 10.6pp above the index for the last six months. According to the results, which are based on share-price performance, 63% of UK dealmakers spent the first half of 2018 buying overseas companies. In contrast, North American acquirers significantly underperformed the Index by 4.8pp in the last six months, with overseas deals representing just 13% of acquisitions made so far this year, compared to 20% for the same period in 2017.

Jana Mercereau, Head of Corporate Mergers and Acquisitions for Great Britain, said: “The increasing focus on domestic markets will intensify the competition for an ever-shrinking pool of targets, making it harder to deliver a deal without harming shareholder value. British companies have instead benefited from taking a more internationalist stance by targeting foreign businesses, despite Brexit uncertainties still looming large and the weakness of the pound.”



Alongside North American dealmakers, all other regions underperformed their respective indices in the second quarter of 2018. While European acquirers took the top spot in terms of the performance league with a marginal underperformance of 0.6pp, Asia-Pacific businesses continued to record the worst regional M&A results with a major underperformance of 21.7pp. Reflecting the trend in North America, more Asian buyers are turning to their home markets, with domestic deals now accounting for 82% of all acquisitions made in the first half of 2018, compared to 76% in the same period last year.

Additional findings revealed by the Willis Towers Watson global study in partnership with Cass Business School include:

- Deal types of all sizes, valued from \$100 million to over \$10 billion, have underperformed the Global Index on average.
- Over a one-year rolling period, acquirers have underperformed overall by an average of 2.7pp.
- Quick, cross-sector and cross-border deals all underperformed the index (by 3.2pp, 5.4pp and 6.6pp respectively), a clear trend reversal from the previous quarter.
- Consumer staples, Healthcare and Telecommunications sectors outperformed their respective indices.
- The Consumer Product and Services, Energy & Power, Financial, Industrial, Material and High Technology sectors underperformed their indices.

Jana Mercereau said: “The deal making bonanza seen so far in 2018 is likely to continue as long as solid economics, low interest rates and supportive credit markets persist. At the same time, it’s also hard to ignore that the last two occasions when M&A activity reached similar levels were a year before the financial crash in 2007 and just before the bursting of the dot.com bubble in 2000.

*“Despite the optimism and appetite for pursuing growth through M&A, the poor performances that have followed completed deals suggest investors right now have very little margin of error. As M&A activity accelerates towards its peak, the importance of discipline and strong diligence grows so companies can mitigate risks and avoid the mistake of paying over the odds.”*

## 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% 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% 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 Thomson Reuters.

## About Willis Towers Watson M&A

Willis Towers Watson’s M&A practice combines our expertise in risk and human capital to offer a full range of M&A services and solutions covering all stages of the M&A process. We have particular expertise in the areas of planning, due diligence, risk transfer and post transaction integration, areas that define the success of any transaction.

## About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has over 40,000 employees serving in more than 140 countries. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at [willistowerswatson.com](http://willistowerswatson.com).

## Further information

For further information about the research, or for help with your M&A activity,

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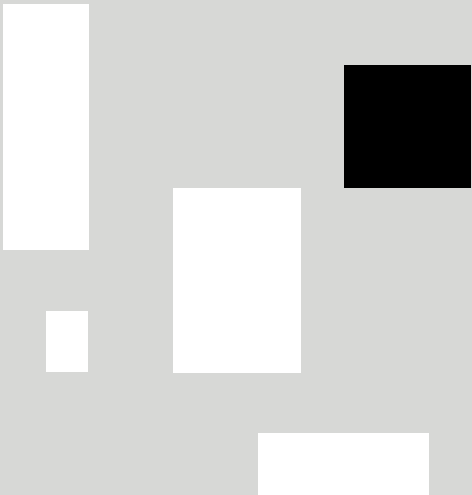
Appendix A: Data Descriptives: Q2 2017, Q1 2018 and Q2 2018

	Q2 2017	Median Deal Value (\$m)	Q1 2018	Median Deal Value (\$m)	Q2 2018	Median Deal Value (\$m)
All	215	320	209	325	191	335
Asia-Pacific	64	174	53	331	57	272
Europe	36	363	39	294	25	271
North America	109	441	104	392	98	415
Rest of the world	6	341	13	225	11	255
Consumer Products & Services	16	372	13	198	20	400
Consumer Staples	12	449	8	1,085	14	405
Energy & Power	28	450	21	527	22	373
Financials	45	315	38	248	21	281
Healthcare	13	276	23	506	18	321
High Technology	26	227	31	250	27	240
Industrials	33	320	28	462	31	316
Materials	26	208	23	294	25	315
Media & Entertainment	4	547	9	1,186	7	915
Retail	8	451	7	583	4	179
Telecommunications	4	509	8	175	2	39,497
Domestic	154	273	165	325	137	354
Cross-border	61	406	44	343	54	273
Asia-Pacific	14	246	5	450	10	178
Europe	23	508	24	359	19	271
North America	20	435	8	343	18	276
Rest of the world	4	341	7	249	7	293
Intra-regional	177	283	179	324	162	338
Cross-regional	38	379	30	463	29	316
Asia-Pacific	12	246	4	650	3	663
Europe	10	772	15	475	9	490
North America	14	420	4	1,231	12	373
Rest of the world	2	1,154	7	249	5	315
Intra-sector	137	398	153	344	120	338
Cross-sector	78	224	56	275	71	335
Asia-Pacific	30	165	21	245	27	188
Europe	12	283	10	228	7	200
North America	34	417	22	618	34	616
Rest of the world	2	128	3	249	3	247
Quick deals	79	200	90	292	80	295
Slow deals	136	465	119	412	111	354
Large deals (over or equal to \$1bn)	51	2,400	46	2,365	37	1,863
Mega deals (over or equal to \$10bn)	3		3		2	

Appendix B: Top 25 Deals by Value of Transaction Q2 2018

Date Announced	Date Effective	Acquirer Name	Target Name
22/10/2016	14/06/2018	AT&T Inc	Time Warner Inc
18/05/2016	7/6/2018	Bayer AG	Monsanto Co
9/2/2018	3/4/2018	General Dynamics Corp	CSRA Inc
18/09/2017	6/6/2018	Northrop Grumman Corp	Orbital ATK Inc
9/4/2018	15/05/2018	Novartis AG	AveXis Inc
1/3/2018	29/05/2018	Microchip Technology Inc	Microsemi Corp
23/02/2018	24/04/2018	General Mills Inc	Blue Buffalo Pet Products Inc
20/03/2018	2/5/2018	Salesforce.com Inc	MuleSoft Inc
17/03/2016	30/04/2018	ASE Industrial Holding Co Ltd	Siliconware Precision Inds Co
16/01/2018	15/06/2018	Informa PLC	UBM PLC
11/1/2018	16/04/2018	SS&C Technologies Holdings Inc	DST Systems Inc
17/03/2016	30/04/2018	Advanced Semiconductor	Advanced Semiconductor
19/12/2017	3/4/2018	Crown Holdings Inc	Signode Industrial Group LLC
22/08/2017	11/5/2018	Metro Inc	The Jean Coutu Group(PJC)Inc
11/12/2017	31/05/2018	LKQ Corp	Stahlgruber GmbH
8/9/2017	23/04/2018	China Natl Bldg Material Co	China Natl Materials Co Ltd
15/02/2018	6/4/2018	Roche Holdings AG	Flatiron Health Inc
4/4/2018	14/05/2018	The JM Smucker Co	Ainsworth Pet Nutrition LLC
18/12/2017	10/5/2018	McDermott International Inc	Chicago Bridge & Iron Co Nv
30/10/2017	9/4/2018	Vistra Energy Corp	Dynegy Inc
16/01/2018	2/4/2018	USA Compression Partners LP	CDM Resource Management Ltd
19/03/2018	31/05/2018	Cie Gene Des Etablissements	Fenner Plc
26/06/2017	27/04/2018	Martin Marietta Materials Inc	Bluegrass Materials Co LLC
26/04/2018	22/05/2018	EQT Midstream Partners LP	Eqst Corp-Strike Force
4/12/2017	6/6/2018	Prysmian SpA	General Cable Tech Corp

Value of Transaction (\$ mil)	Share Price Return	Adj. Share Price Return (World Index Return, pp)	Adj. Share Price Return (Industry Index Return, pp)	Adj. Share Price Return (Regional Index Return, pp)
78,446	-13%	-40.1	-3.2	-45.4
56,598	-19%	-44.21	-59.71	-29.53
9,591	-1%	-11.9	-10.8	-15.3
9,171	32%	18.9	19.6	15.2
8,662	-10%	-16.3	-12.1	-9.5
8,107	19%	8.7	-5.7	6.0
7,927	-18%	-29.1	-15.8	-32.3
6,744	45%	36.2	21.7	33.6
5,405	-7%	-36.5	-31	-35.0
5,285	24%	14.8	-	23.0
4,990	34%	24.3	6	20.7
4,016	24%	-5.5	-54.1	-4.0
3,910	-22%	-31.7	-35.9	-35.5
3,860	0%	-14.2	-	-17.5
2,089	5%	-5.6	-3.8	-9.4
1,950	83%	69.8	67.7	65.6
1,900	-14%	-23.1	-20.3	-15.5
1,900	1%	-5.3	3.3	-8.2
1,863	8%	-2.5	0.4	-6.3
1,739	59%	46.6	52.2	42.8
1,700	-3%	-12.6	-11.8	-16.1
1,669	-6%	-14.5	-12.9	-8.2
1,625	2%	-16.2	-18.1	-20.4
1,517	-20%	-26	-24.7	-29.0
1,510	-2%	-11.7	-9.7	-2.0
		-11.9	-10.8	-9.4



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