Global Acquirer Trends: Another strong quarter for the M&A market

Despite a growing threat of trade wars and other political disruptions, the global mergers and acquisitions (M&A) market stayed strong in the second quarter, with 2,632 transactions reported worldwide, just over a one percent increase from 2,595 in Q1.

As usual, North America led the world in mid-market M&A transactions, generating over half the volume with 1,434 deals of the 2,632 deals reported, down slightly from 1,452 reported in Q1. The next-largest market was the United Kingdom & Ireland with 397, a 15% increase from 344 in the prior quarter. The DACH and Nordics regions had 272 and 262, which was on par with 279 and 268 from Q1, respectively; and finally Indochina saw 147, compared to 139 and Iberia had 124 vs 113 in Q1.

As usual, North America domestic deal volume stayed strong (1,132 domestic to 302 inbound), a 79% to 21% mix, and similar to Q1 which recorded 1,145 to 307, respectively. M&A activity in the other markets was closer to a 50/50 split – the United Kingdom & Ireland (212 domestic to 185 inbound vs 178 to 166), Nordics (142 domestic to 120 inbound vs 135 to 133), DACH (130 domestic to 142 inbound vs 126 to 153), Iberia (54 domestic to 70 inbound vs 51 to 62), and Indochina (69 domestic to 78 inbound vs 65 to 74) – with inbound outpacing domestic deals in DACH, Iberia, and Indochina. Overall, total deal volume as well as domestic vs inbound M&A activity was mostly flat in all regions, which is encouraging when measured against a very strong Q1.

Across most markets, business services, industrials, and media & technology attracted the most attention, followed by consumer and healthcare. However, there were a few regional permutations. In the UK & Ireland, business services (154) once again made up the lion's share of Q2 deals vs (132) in Q1, followed by media & technology (100) compared to (84), and industrials (65) to (62). In the DACH market, industrials took the lead as usual (103) vs (93) in Q1, followed by business services (62) vs (75), and media and technology (46) vs (48). In the Nordics, business services again took the lead (86) vs (91) in Q1, followed by industrials (61) vs (64), and media & technology (55) vs (53).

In general, the atmosphere for dealmaking stayed positive in the second quarter, maybe even a little frothy, as investors searched for the best way to profit from today's many technological innovations and fast-growing markets. Peculiarly, however, even with economic indicators as strong as they have been in years, nationalistic populism continued to gain momentum.

By Steve Miles
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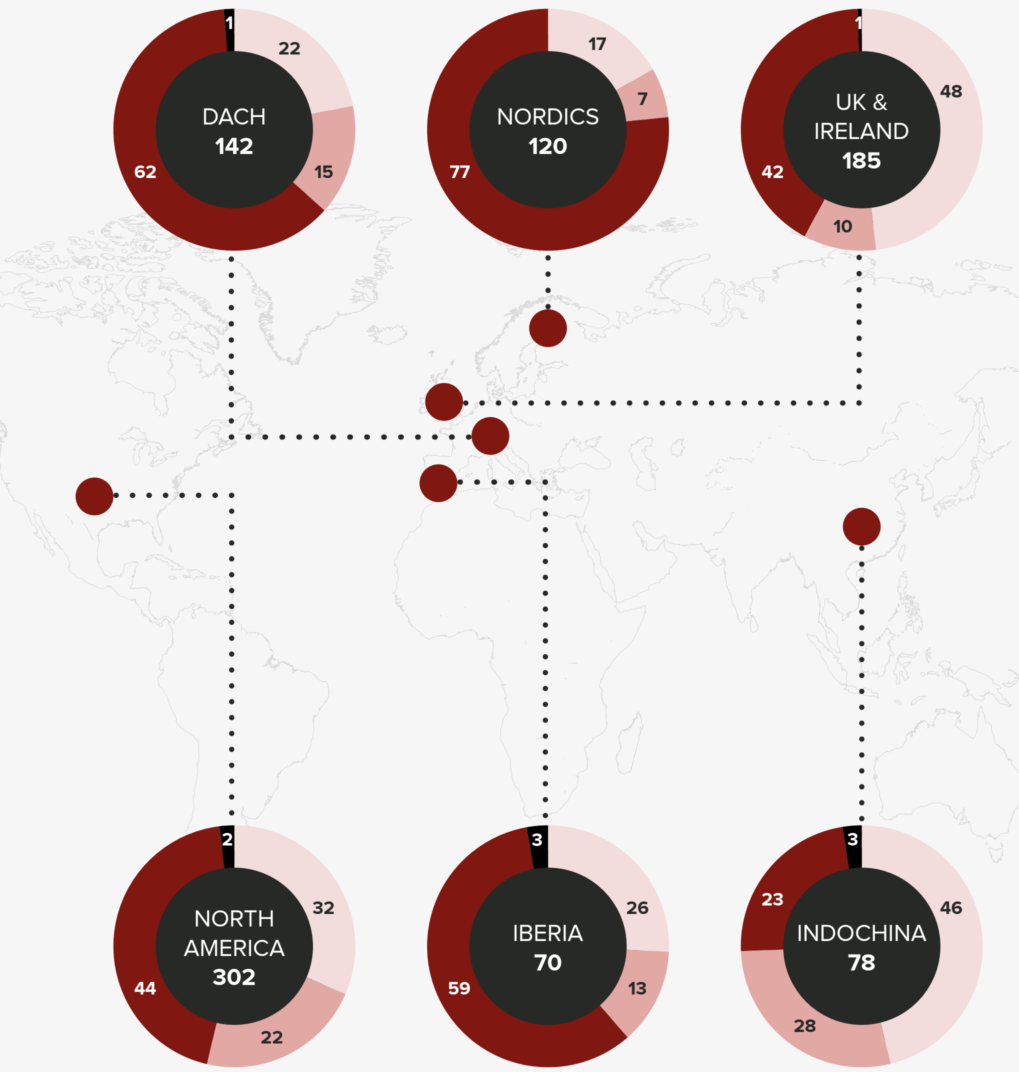
"The global mid-cap mergers and acquisitions market stayed strong in the second quarter in 2018."

DEALS DONE RIGHT.

WHERE ARE THE BUYERS COMING FROM?

The charts show the percentage of inbound M&A in H2 2018 by region for each jurisdiction



KEY

AMERICAS | ASIA, AUSTRALIA & CHINA | EUROPE | MIDDLE EAST & AFRICA

	DACH	Iberia	Nordics	UK & Ireland	North America	Indochina
Inbound deals	142	70	120	185	302	78
Domestic deals	130	54	142	212	1,132	69
Total deals	**272**	**124**	**262**	**397**	**1,434**	**147**

At times, this made the news seem as if it were not just from different points of view, but different eras.

- After ten years of ultra-cheap money, the economic fundamentals seemed solid enough in Europe and North America that central bankers began raising interest rates slightly.
- Unemployment continued to fall in the US and Europe. In the US, the rate hovered around 4%, its lowest level since 2000. In the European Union as a whole, unemployment is now down to around 7%, another historic low, and in many EU markets it is now under 5%.
- At the same time, talk about unfair trade practices in North America led to billions in new tariffs and the rising prospect of a genuine trade war between the US and China, and perhaps the US and Canada and the US and Europe. In Europe, the United Kingdom ended the second quarter no closer to an agreement with the European Union over the terms of its pending divorce than it began. However, the impact of Brexit on deal volume in the UK was non-existent as both domestic and inbound volume increased significantly in Q2 from Q1 (domestic +19%, inbound +11%), with inbounds basically maintaining their % of overall volume – from 48% in Q1 to 47% in Q2.
- In Turkey and Italy, voters gave populist governments an historic mandate.
- Right-wing politicians in Austria, Hungary, and Poland continue to threaten the open borders that have been a cornerstone of modern European prosperity. Meanwhile, in Germany, Chancellor Angela Merkel narrowly faced down a revolt by the Christian Democratic Union over refugee policies – despite the fact that the flow of refugees from the Mideast and Africa is now a tiny percentage of what it was a few years ago.

As the American economist Herbert Stein famously noted, “If something cannot go on forever, it will stop.” In this case, the standoff between global trade and investment and anti-global populism can’t continue indefinitely. Either politicians will get the crisis they seem to wish for or the underlying strength of global business will keep making the world a little wealthier.

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