

Global Acquirer Trends Q4 2018

By Jeremy Furniss
Partner, London

While equity investors had a brutal Q4, with the S&P 500 dropping more than 14% and giving up most of the year's gains, global M&A volume rose nearly 9% over the third quarter, with 2,762 transactions completed in Q4 2018, up from 2,542 in Q3, ensuring that 2018 ended on a positive note. Those solid Q4 numbers meant that for the year, worldwide deal volume rose nearly 2% overall, from 12,078 in 2017 to 12,309 in 2018.

North America ended the year once more as the dominant market with 6,727 deals closed in 2018, just slightly down 1% from last year's 6,801. The DACH region and the Nordics also dipped slightly, with the DACH region closing 1,295 transactions in 2018, down 3% from 1,331 in the previous year, and the Nordics closing 1,178 transactions in 2018, down 8% from 1,273 in the prior year. Meanwhile, the China & India and Iberia regions had a good year, as both saw narrow gains in M&A, up 2% to 641 from 628 for the China & India regions and up 5% to 666 from 631 for Iberia.

The most surprising annual number came out of the UK&I, where, despite all the anxiety around Brexit, mid-market deals actually rose sharply, climbing 27% to 1,802 transactions in 2018 from 1,414 in 2017.

Much of this growth seems to have been fuelled by foreign rather than local investors. The percentage of in-bound investment to total acquisitions rose in 2018, climbing to 44% from 29%, a trend we read not as a sign of panic to get in before the drawbridge goes up but a recognition of the strength of the British mid-market and the temporary weakness of the pound.

Interestingly, despite all the xenophobic politics in 2018, we didn't see any sign of a nativist bias globally either. On the contrary, in 2018 cross-border deals actually grew as a percentage of the world total. Worldwide, in-bound M&A comprised one third of the deals closed (4,149) in 2018 (33% of all M&A activity), up from 3,671 inbound deals in 2017 (30% of all deal activity). In the DACH and China & India regions, foreign investors even won a majority of the deals this past year; 52% in the DACH and 54% in China & India. Even in North America, the anti-trade rhetoric of the Trump Administration failed to scare off foreign investors. Domestic M&A accounted for a pretty consistent share of total activity (78% in 2018) as it had in 2017 (77%), with foreign investment remaining a significant share of the total.

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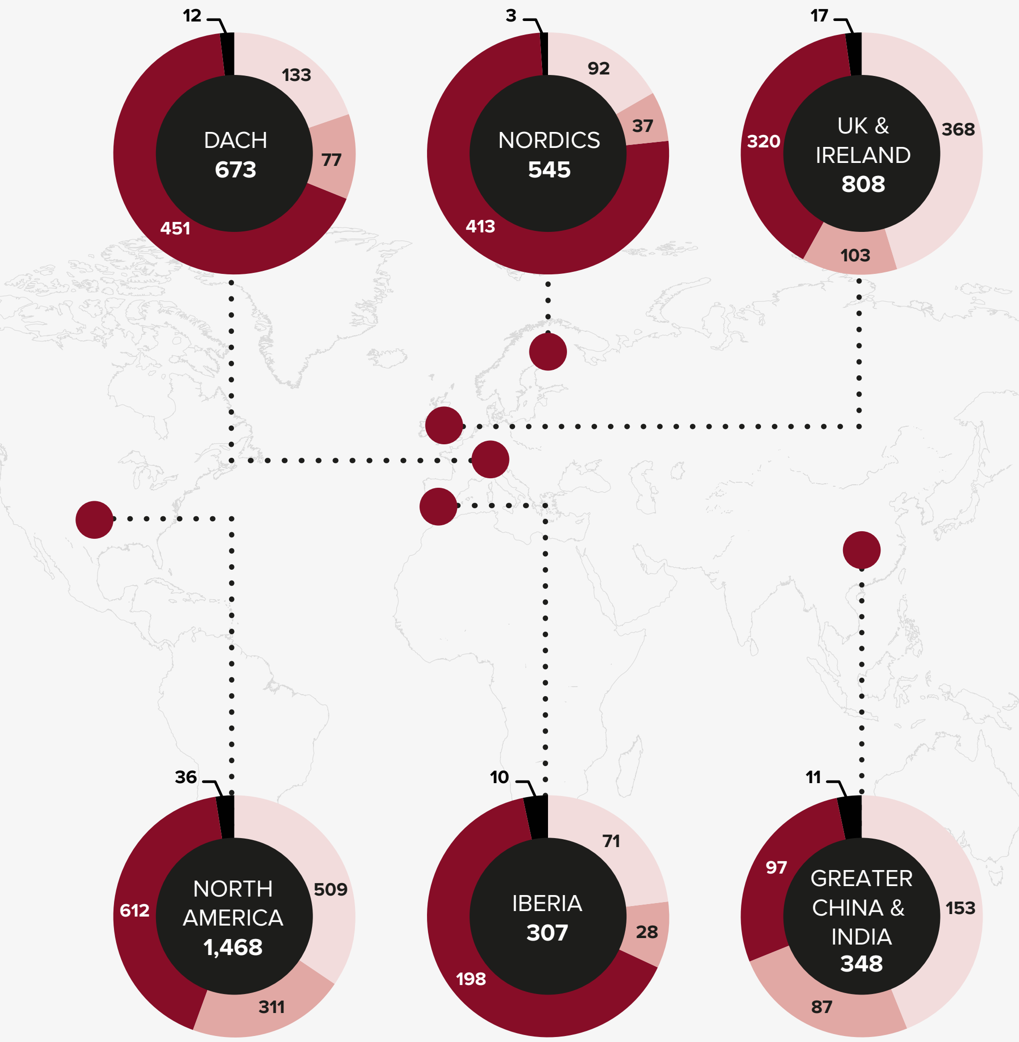
DEALS DONE RIGHT.

WHERE ARE THE BUYERS COMING FROM?

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

KEY

AMERICAS · ASIA & AUSTRALIA · EUROPE · MIDDLE EAST & AFRICA



	DACH	Iberia	Nordics	UK & Ireland	North America	Greater China & India
Inbound deals	673	307	545	808	1,468	348
Domestic deals	622	359	633	994	5,259	293
Total deals	**1,295**	**666**	**1,178**	**1,802**	**6,727**	**641**

By sector, Business Services attracted the most in-bound buyers (4,247), followed by Media & Technology (2,771), Industrials (2,746), Consumer (1,536) and Healthcare (1,009). Considered against 2017, the deal environment looks quite similar, with the main difference being that Industrials lost the slight lead they had had over Media & Technology, which remains their nearest competitor. Regional markets, however, showed a few distinct preferences. Industrials took their traditional lead in the DACH region (339) and the number two slot in Iberia (145).

Of course, microclimates are never completely sheltered from the prevailing winds. The same is generally true of favoured asset classes. Mid-market companies have many special qualities that make them attractive acquisition targets right now, but if the economic contraction that the stock market drop intimated in December actually strikes, potential buyers could find raising money more difficult and sellers may find themselves in a much more price-sensitive environment.

This year's results, however, suggest to us that mid-market investors are not letting headlines distract them. Whether or not Prime Minister May breaks the UK out of the European Union or President Trump gets his Mexican border wall built, we expect investors and acquirers will continue to recognise value.

Christian Grandin
Partner
Düsseldorf
+49 211 300 495 21
grandin@livingstonepartners.de

Baoshan Bao
Partner
China – Düsseldorf
+49 211 300 495 34
baoshan@livingstonepartners.de

Jeremy Furniss
Partner
London
+44 (0)20 7484 4703
furniss@livingstonepartners.co.uk

Neil Collen
Partner
Madrid
+34 963 5245 04
collen@livingstonepartners.es

Thomas Karlsson
Partner
Stockholm
+46 8 557 701 13
karlsson@livingstonepartners.se

Steven Miles
Partner
Chicago
+1 312 670 5901
miles@livingstonepartners.com