PwC Report: M&A global activity expected to accelerate in the next six to twelve months due to abundant available capital

Global Mergers & Acquisitions activity is expected to accelerate in the next six to twelve months due to low interest rates, a desire to acquire innovative, digital or technology-enabled businesses, and an abundance of available capital in the market, according to the PwC Global M&A Industry Trends report. Companies have over USD 7.6 trillion available in cash and marketable securities, and investment funds have accumulated USD 1.7 trillion.

“M&A activity in 2021 is to be marked by opportunity and transformation. As a result of the changes the COVID-19 pandemic has brought to the economy, many companies have realised that they need resources, new technologies and a skilled workforce to create long-term value, and that acquisitions are the fastest and most efficient way to deliver them. The competition will become fierce for companies that can meet or supplement those needs. However, consolidation will be inevitable for companies facing problems. Reflecting the global trend, the Romanian M&A market will also remain active this year, with numerous transactions being discussed or finalised. Despite the increasing number of transactions concluded in the second half of last year, the market has adopted a cautious approach so far in 2021. The roll-out programme for new COVID-19 treatments and vaccines will influence investors' perceptions and purchasing decisions this year”, said Dinu Bumbacea, Partner and Advisory Leader, PwC Romania.

Dealmaking activity jumped in the second half of 2020, with the total global deal volumes and values increasing by 18% and 94%, respectively compared to the first half of the year. In addition, both deal volumes and deal values were up compared to the last six months of 2019. Megadeals doubled in the second half of last year, with the technology and telecom sub-sectors seeing the highest growth as demand for digital assets accelerated.

“The valuation of assets remains one of the biggest challenges to M&A success. Following a turbulent year in dealmaking, 2021 is likely to be marked by growing polarisation in asset valuations and the acceleration of digital sector deals. In the case of technology companies, high valuations and fierce competition could lead buyers to take a more aggressive approach in acquiring the desired assets. However, the valuations of companies affected by COVID-19 or with business models that are no longer viable will be affected”, said George Ureche, M&A Leader, PwC Romania.

Other factors that would have an impact on valuations and M&A activity are the increase in the number of restructurings and the continued growth of the IPO market, especially the use of special purpose procurement companies (SPACs) to raise capital. Greater SPAC activity is expected in 2021, particularly involving assets such as electric vehicle charging infrastructure, power storage and healthcare technology.

Conclusions on M&A activity in the second half of 2020

- The technology and telecom sub-sectors saw the highest growth in deal volumes and values in the second half of 2020, with technology deal volumes up by 34% and values up 118%. Telecom deal volumes were up by 15% and values significantly up by almost 300%, due to three telecom megadeals.
- Many stock market indices, including the Dow Jones Industrial Average, NASDAQ Composite, S&P 500, Shanghai Stock Exchange and Nikkei 225, are at or near all-time highs. For example, DoorDash closed its first day of trading 86% above its initial list price and Airbnb closed its first day up by more than 112%.
- On a regional basis, deal volumes increased by 20% in the Americas, 17% in EMEA and 17% in Asia Pacific from the first to second half of 2020. At over 200%, the Americas saw the biggest growth in deal values, primarily due to some significant megadeals in the second half of the year.
- Non-traditional sources of value creation such as the impact of environmental, social and governance factors

(ESG) are increasingly being considered by dealmakers and factored into strategic decision-making and due diligence, as they focus on protecting and maximising returns from high valuations and fierce demand.