

Special Report

# Global M&A Market | Q3 2022

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# Executive Summary

## Global M&A Market | Q3 2022



### Global M&A Overview

- YTD Q3 2022, 37,236 transactions totaling US\$ 2,376 billion were announced
- In 2021, 57,585 transactions totaling US\$ 4,699 billion were announced



### Global PE and VC Overview

- Private equity and venture capital investment dropped throughout 2022
- In Q3 2022, the number of deals fell 42% YoY and 34% vs. the previous quarter



### Deal Activity by Sector

- In Q3 2022, technology remained at the top with 164 transactions totaling US\$ 80.4 billion, followed by real estate and industrials



### Major Trends – Q3 2022

- Technology sector dominates
- North America retains the top spot
- Cross-border tensions



### Deal Activity by Geography

- In Q3 2022, the US and Canada recorded M&A deals of US\$ 237.7 billion, a 60% decline YoY
- Asia-Pacific recorded M&A deals worth US\$ 93.9 billion, a decline of 54% YoY



### Outlook – 2023

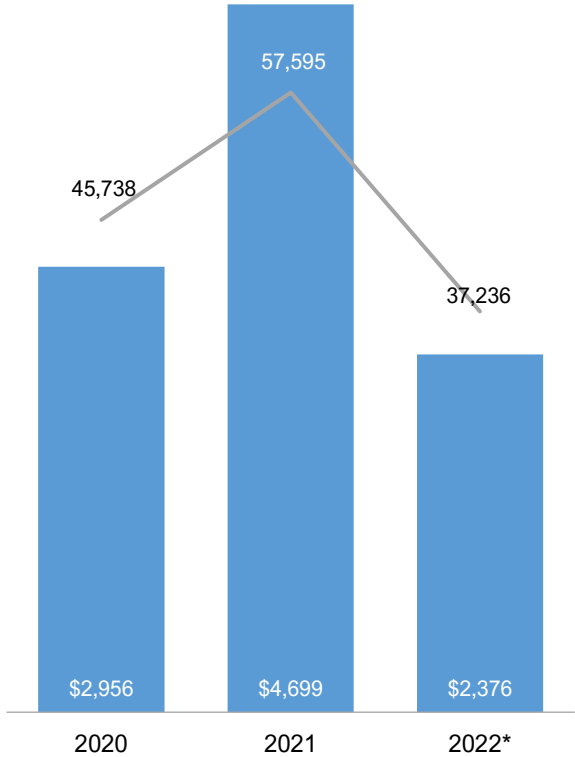
- Energy and technology sectors to dominate
- Return of the “Lipstick Effect”
- Opportunities in ESG and distressed M&A

# Global M&A Overview

Q3 2022 was the slowest quarter for global M&A activity since the onset of the pandemic in 2020

## Global M&A Activity (Annual)

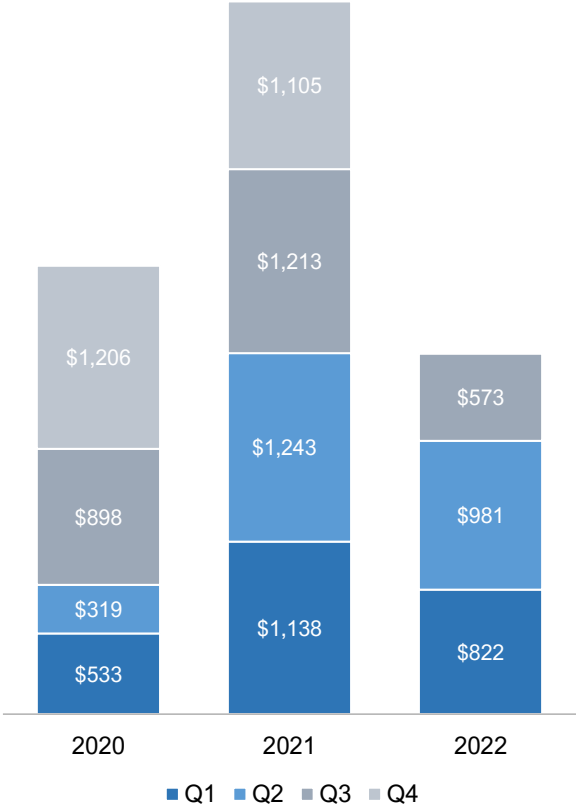
Transaction Size (US\$ Billion) and Number of Deals



\*Up to Q3 2022

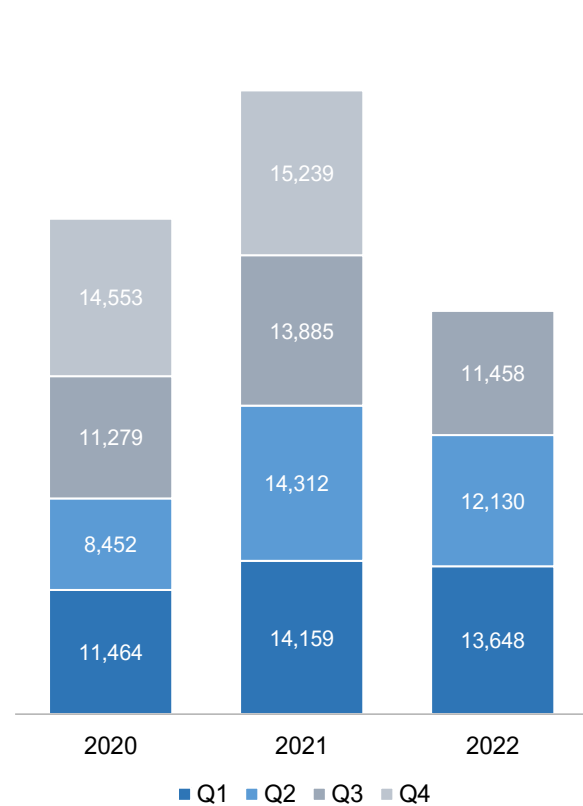
## Global M&A Activity (Quarterly)

By Transaction Size (US\$ Billion)



## Global M&A Activity (Quarterly)

By Number of Deals



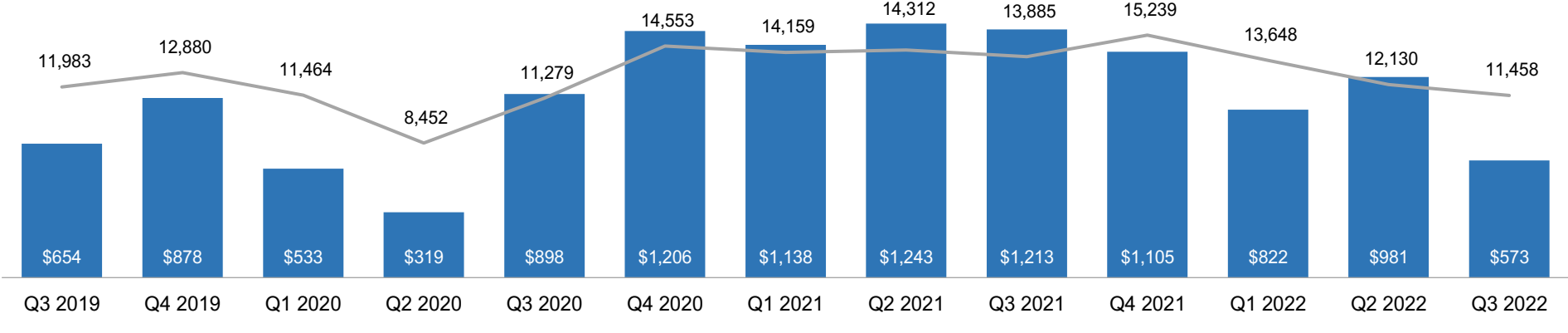
Source: S&P Global Market Intelligence

# Global M&A Overview

Total transaction value of announced and closed M&A deals fell 53% and 43% YoY, respectively, in Q3 2022

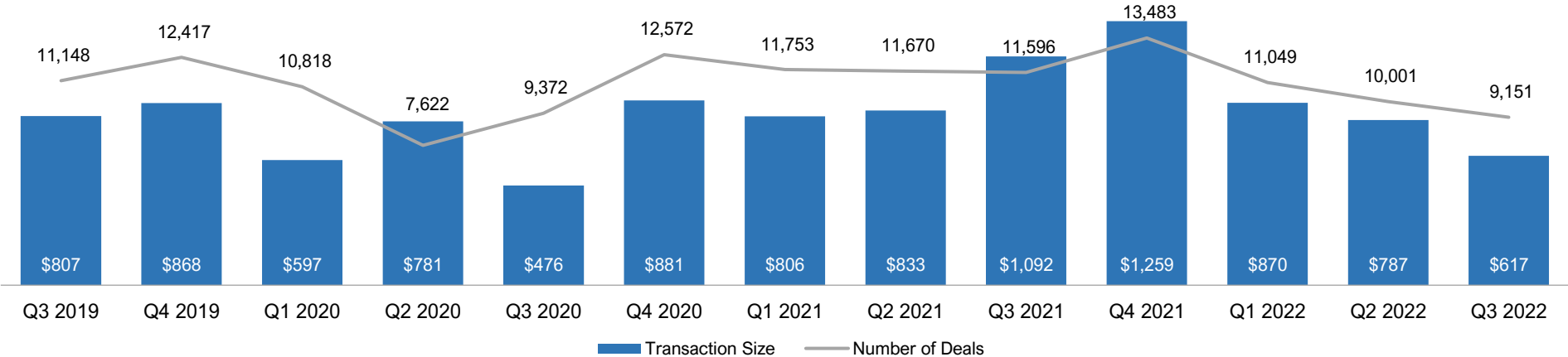
## Announced M&A Deals: Last 3 Years

Total Transaction Size (US\$ Billion) and Number of Deals



## Closed M&A Deals: Last 3 Years

Total Transaction Size (US\$ Billion) and Number of Deals



Source: S&P Capital IQ

# Global M&A Activity – Q3 2022

Slowdown in global M&A was evident across sectors, especially in financials with an 82% drop YoY

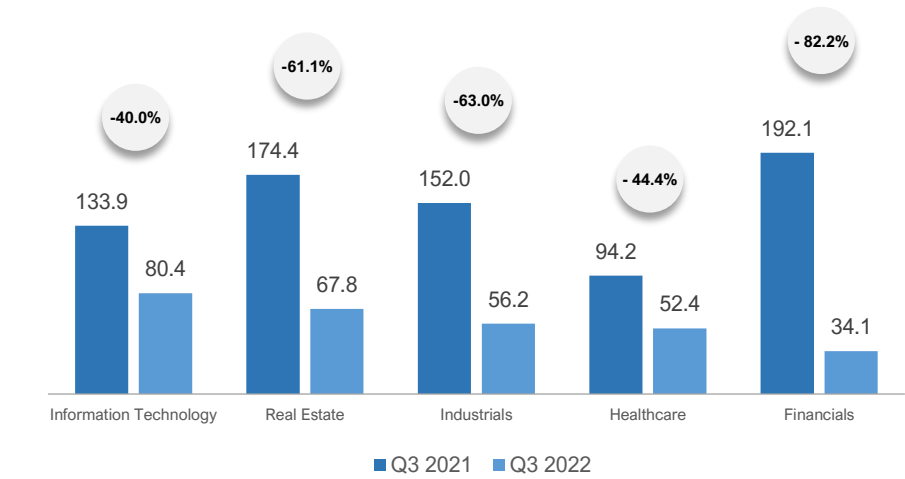
## Q3 2022 Deal Activity by Sector

Total Transaction Size (US\$ Billion) and Number of Deals



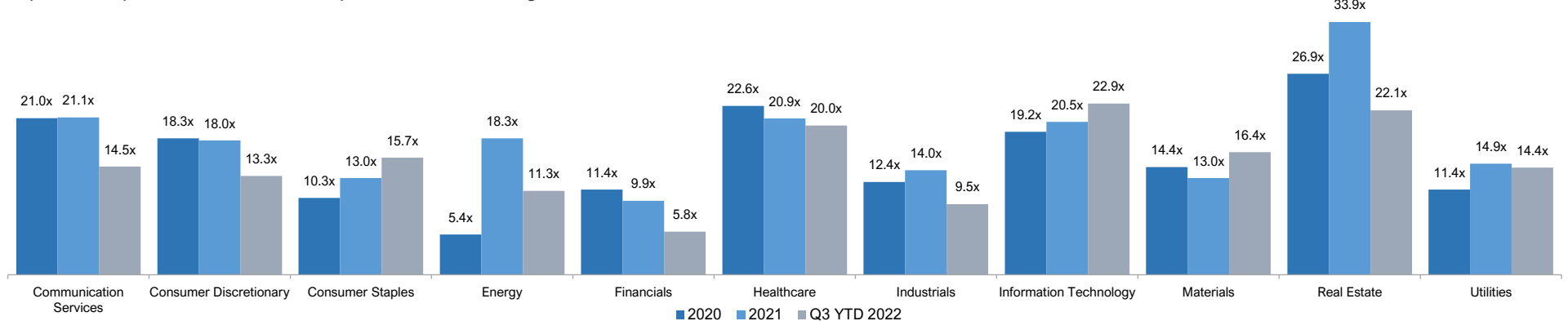
## Q3 2022 Sectors with the Most M&A Activity

Total Transaction Size (US\$ Billion) and YoY % Change



## Deal Multiples by Sector

Implied Enterprise Value/EBITDA Multiple, 2020 - YTD through Q3 2022



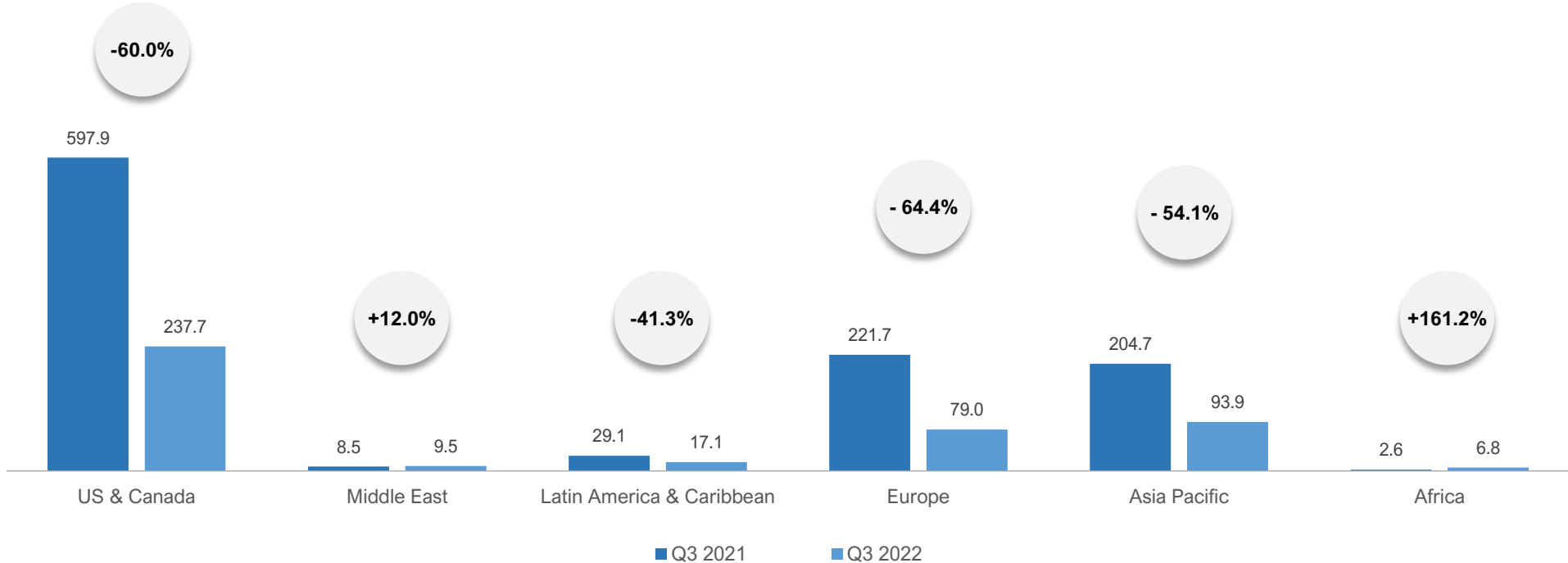
Source: S&P Global Market Intelligence

# Global M&A Activity – Q3 2022

M&A deal landscape recorded a sharp reduction in transactions globally

## Q3 2022 Deal Activity by Geography

Total Transaction Size (US\$ Billion) and YoY % Change



- Advanced economies and emerging markets reported a significant decline in M&A deals in Q3 2022.
- Globally, Africa and the Middle East were the only two regions recording growth in M&A activity.
- In Q3 2022, the US and Canada recorded M&A deals worth US\$ 237.7 billion, well above Asia-Pacific's US\$ 93.9 billion, despite declining 60% YoY.

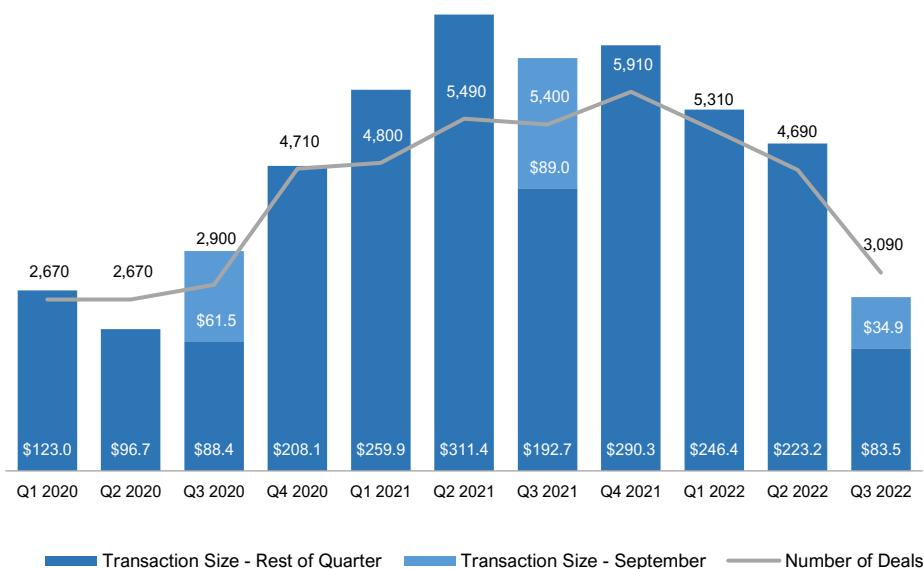
Source: S&P Global Market Intelligence

# Global PE and VC Overview

Slump in global PE and VC entries was consistent with the global M&A trend

## Global PE and VC Entries

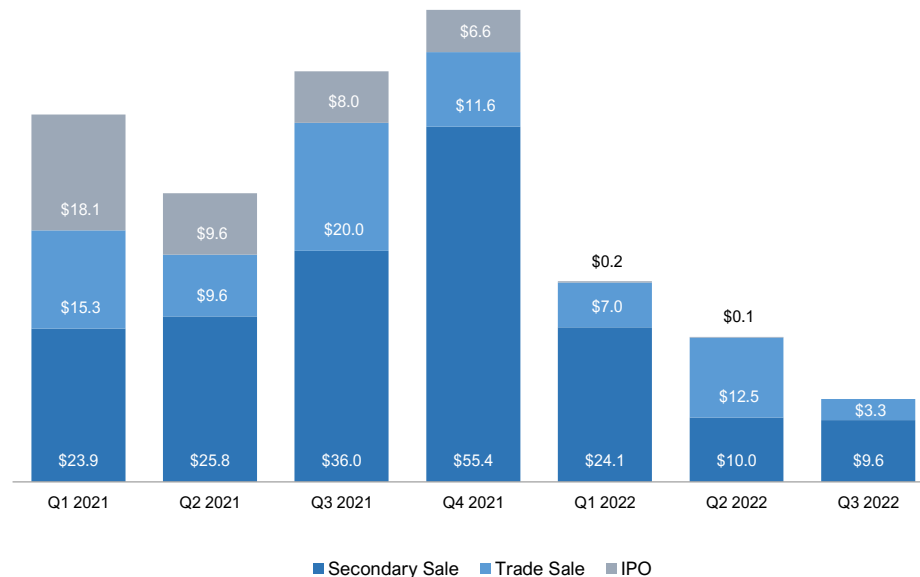
Total Transaction Size (US\$ Billion) by Quarter, Sept YoY and Number of Deals



- Consistent with the global M&A trend, private equity and venture capital entries declined in 2022, especially in September when they plunged 61% to US\$ 34.9 billion compared with US\$ 89.0 billion in September 2021.
- The number of deals fell 42% YoY and 34% vs. the previous quarter.

## Global PE and VC Exits

By IPO, Secondary and Trade Sale



- The global M&A market recorded a sharp fall in private equity and venture capital exits in 2022.
- Three quarters of private equity and venture capital exits in 2022 generated US\$ 66.8 billion, only 40% of the US\$ 166.3 billion generated during the same period a year ago.

Source: S&P Global Market Intelligence



# M&A Trends – Q3 2022

M&A activity in the US was the hardest hit, with technology dominating once again



## Sector Insights - Technology Sector Dominates

- Information Technology was once again the dominant sector for dealmaking. The sector accounted for US\$ 609 billion worth of deals in the first nine months of the year, representing 22% of the overall M&A. However, the value of tech deals fell about 30% compared with 2021.
- Energy and power tumbled 14% YoY but represented 13% of the overall M&A. Industrials dealmaking fell in value by 30% YoY but accounted for 12% of the total activity. Financials accounted for 11.5% of all deals, but their value plummeted over 37%.



## Regional Insights - North America Tops Again

- M&A activity in the US was the hardest hit, dropping 60% YoY to US\$ 238 billion in the third quarter, but still comfortably surpassing Europe's and Asia-Pacific's aggregate M&A of US\$ 79 billion and US\$ 94 billion, respectively.
- North America remains the global M&A powerhouse, with the US and Canadian acquirers initiating more than 50% deals in the third quarter.
- India was the only outlier in the Asia-Pacific region, bucking the trend with strong gains by the value and volume of deals.



## Cross-Border Tensions

- Fewer cross-border deals took place in line with the trend. Cross-border M&A value hit US\$ 930 billion through the third quarter, a 38% drop. The number of cross-border deals fell 11% through the third quarter to 12,066.
- The US and Canada initiated around 40% of all cross-border deals so far this year, continuing the North American dominance. The UK accounted for one-tenth of global activity, punching well above its GDP weight.



## Investment Banking Fees Decline

- As the value and number of global deals drop, so are the fees that investment bankers are pulling in.
- September was the worst month for investment banking fees in the last nine years, as the banks raked in a little more than US\$ 5 billion in fees.
- Overall, the US banks took 41% of the global fee pool, with European banks taking one-fifth – an all-time low since 2000. Meanwhile, Asia-Pacific bankers hit 27% – their highest share ever.

# Major Deals – Q3 2022

In the third quarter of 2022, the global deal landscape recorded a sharp reduction in transactions

September 2022 





In September 2022, Adobe entered a definitive merger agreement to acquire Figma for US\$ 20 billion.

September 2022 



GIC and Oak Street (a division of Blue Owl) to acquire STORE Capital in an all-cash transaction valued at approximately US\$ 14 billion.

August 2022 



Phillips 66 announced to acquire outstanding publicly held common units of DCP Midstream, LP.

August 2022 



Avalara to be acquired by private equity firm Vista Equity Partners in a US\$ 8.4 billion deal.

August 2022 



CVS Pharmacy announced that it will acquire Signify in a deal valued at US\$ 8 billion, in cash.

July 2022 



In July 2022, Orange and Grupo MásMóvil merged in a US\$ 21.3 billion deal to create a new leader in the Spain's cellular telephone market.

July 2022 



Kuwait Finance House agreed to buy Ahli United Bank for US\$ 11.6 billion.

July 2022 



DigitalBridge and Brookfield Infrastructure to acquire a 51% stake in GD Towers (the tower business of Deutsche Telekom), at an enterprise value of US\$ 17.5 billion.

Source: S&P Global Market Intelligence, Verdict

## Major SPAC Deals Closed – Q3 2022

Market conditions were exceptionally difficult, impacting SPAC transactions

Completion Date	SPAC Name	DeSPAC Company	Market Cap (US\$ Million)
July 2022	CC Neuberger Principal Holdings II	Getty Images Holdings, Inc	2,052.8
September 2022	AEA-Bridges Impact Corp.	LiveWire Group, Inc	1,030.2
July 2022	Social Capital Suvretta Holdings Corp III	ProKidney Corp	1,920.8
July 2022	ITHAX Acquisition Corp.	Mondee Holdings, Inc	929.6
August 2022	Riverview Acquisition Corp.	Westrock Coffee Company, Inc	923.1
July 2022	Waldencast Acquisition Corp.	Waldencast Plc	795.4
September 2022	Kensington Capital Acquisition Corp. IV	Amprius Technologies, Inc	735.7
July 2022	Duddell Street Acquisition Corp.	FiscalNote Holdings, Inc	722.6
August 2022	L&F Acquisition Corp.	ZeroFox Holdings, Inc	703.2
September 2022	Sliver Crest Acquisition Corp.	TH International Limited	541.5

Source: SPAC Track

# Outlook – 2023

Several external factors created challenges for dealmakers, but they also provided possibilities



## Energy and Technology Sectors to Dominate

- The recent volatility in the cryptocurrency market is unlikely to dampen dealmaking. Instead, as non-tech businesses seek to enter new industries, digital assets, Web3, and metaverse targets will continue to be sought for.
- Energy companies are good candidates to explore renewables deals and invest in innovative technologies in 2023 and beyond because of their expanding cash reserves and ambition to decarbonize their portfolios.



## Return of the “Lipstick Effect”

- Buyers will increasingly focus on small deals as recession fears cause a “Lipstick Effect,” in which economic downturns increase spending on small, affordable things rather than big-ticket items.
- No megadeals (priced at more than US\$ 10 billion) were closed in Q3 2022, the first time in more than three years.



## Opportunities in Distressed M&A

- Companies will divest non-core assets in response to the tough operating climate. Some transactions will be strategic, such as energy corporations’ continued divestment of carbon-intensive assets.
- In other circumstances, economic uncertainty will compel businesses to liquidate assets. This may provide an opportunity to purchasers to extend their product lines, services, or supply chains at a low cost.



## Spotlight on ESG

- Environmental, social, and governance (ESG) issues will continue to dominate dealmaking in 2023, especially as acquirer due diligence becomes more crucial than ever.
- Businesses will face growing scrutiny and pressure for openness on climate risk, social justice, sustainability, and corporate governance as more investors regard ESG as a fundamental driver of financial performance. Without a doubt, “green” due diligence is on the rise.

Source: S&P Global Market Intelligence, Allen & Overy, EdgePoint, Insurance Business Asia



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