

# M&A and Equity Offerings Quarterly Market Report Q2'20 Review



## Q2'20 review: M&A activity in US plummets due to lack of big-ticket deals; equity issuance surges, despite pandemic headwinds



### M&A Market

M&A deals in the US dropped by 90.3% year-on-year (YoY) to \$46.56 billion. A lack of big-ticket transactions due to the ongoing pandemic suppressed transaction value. Highly active sectors such as technology and healthcare, which regularly clock multi-billion-dollar transactions, also struggled to reach the billion-dollar mark.



### Equity Issuances Market

US equity issuances increased 84.9% YoY to \$122.97 billion. The recent rebound in stock prices impelled companies rushing to the markets to raise capital. Companies have raised capital to stabilize businesses hit by the pandemic. There are also players seeking funds to make acquisitions.



### Current Trends

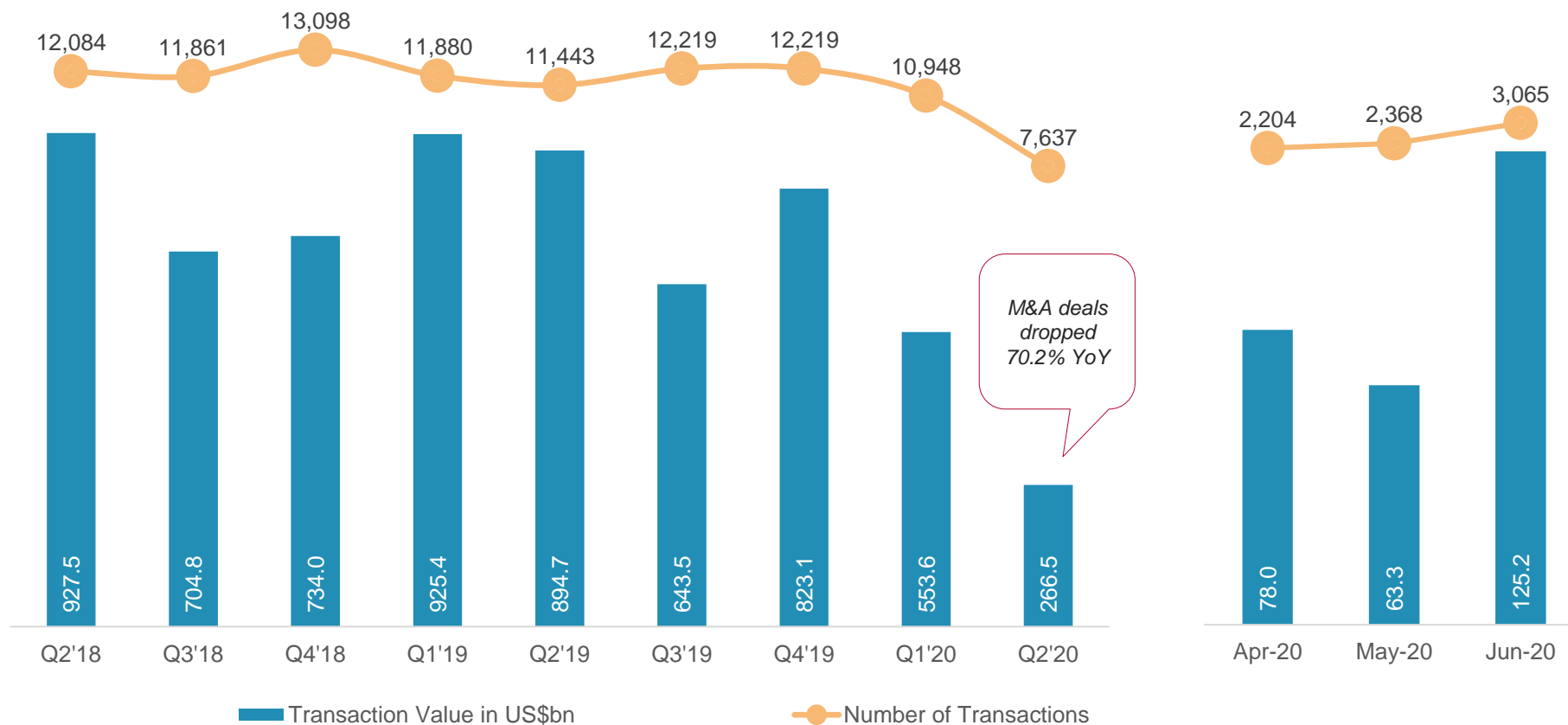
Investor interest in initial public offerings (IPO) for special-purpose acquisition companies (SPAC) is gaining momentum. In Q2'20, 22 of the 52 IPOs in the US were from the so-called 'blank check' companies. Recently, SPAC IPOs have attracted a range of investors as the latter find comfort in this new mainstream method of investing.

Source: S&P Capital IQ, Aranca Research

Transaction value of global M&A deals drop significantly in Q2'20; only two deals announced in quarter with transaction value exceeding \$10 billion (down from \$12 billion YoY)

*However, monthly transaction values indicate that the M&A market is starting to stabilize. Deal volumes in June were higher than in April and May, and a few large deals were announced by mid-July 2020.*

### Global M&A Activity

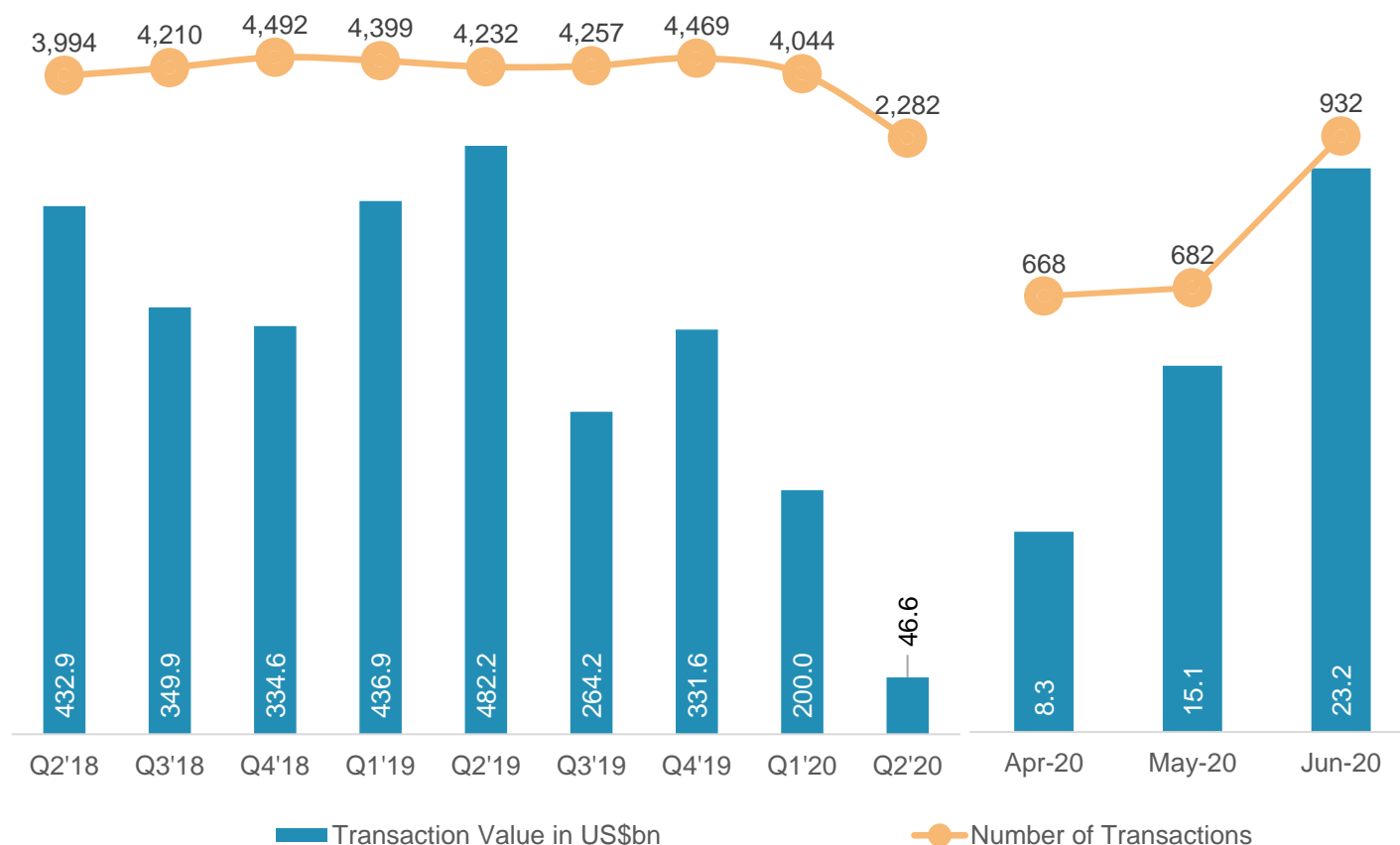


Source: S&P Capital IQ, Aranca Research

## Big ticket M&A deals scarce in US market, even in sectors least hit by pandemic; no deal crossed \$500 million in value during Q2'20

*Our channel checks suggest tech and healthcare sectors could see big-ticket transactions soon; however, the lack of large deals in other sectors could continue to suppress M&A deal values*

### US M&A Activity



*The sharp drop in deal value was largely attributed to the collapse of mega deals at the top end of the M&A market.*

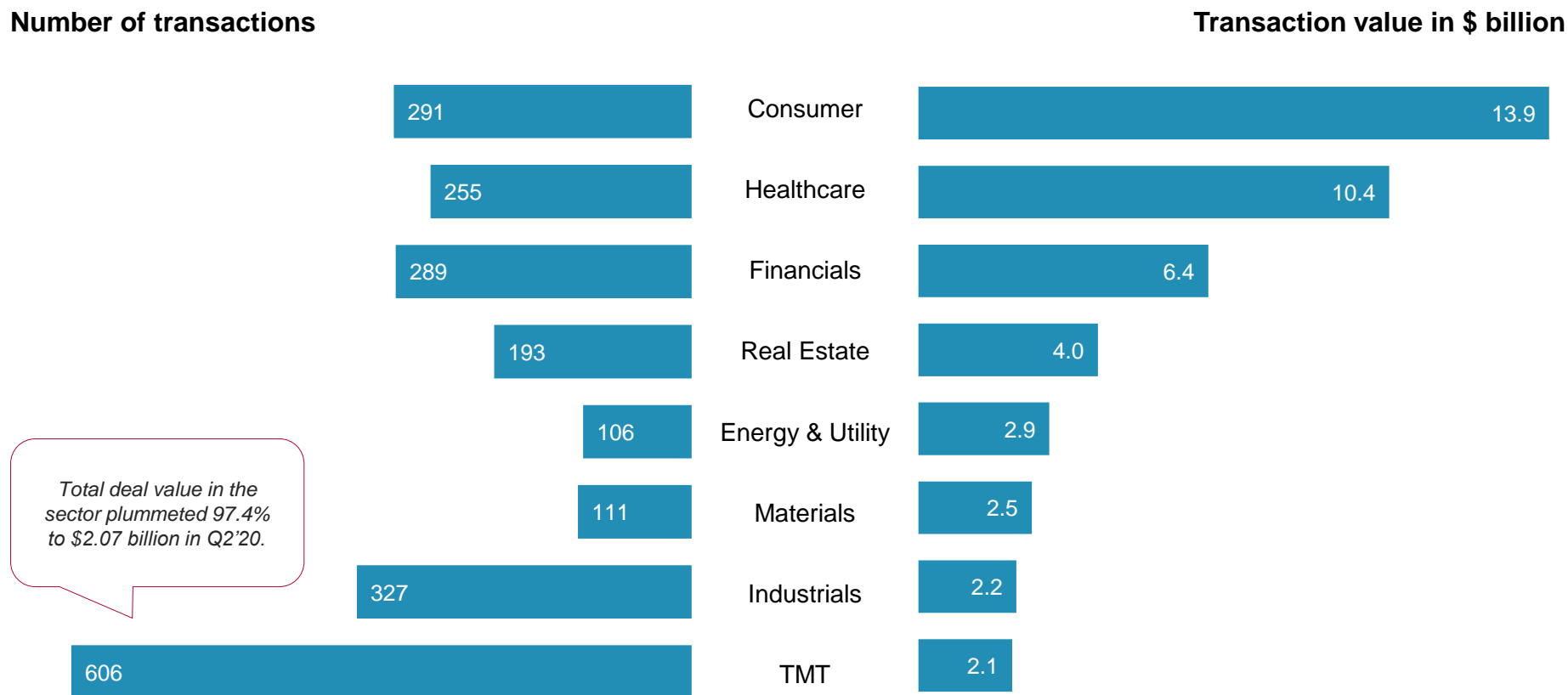
*The severe decline was ascribed to buyers focusing energy into augmenting liquidity and managing costs, while sellers were reluctant to come down to lower valuations.*

Source: S&P Capital IQ, Aranca Research

## TMT sector records most transactions; however, sector did not see its typical large transactions

*During the quarter, the largest TMT deal was the \$500 million acquisition announcement of Curiouser Products, Inc. by Lululemon Athletica, Inc. In the previous eight quarters, TMT had produced 11 US deals with transaction values surpassing \$10 billion.*

### US M&A Deals in Q2'20 — By Sector



Source: S&P Capital IQ, Aranca Research

## Deal value in consumer sector drops 68% YoY; but sector registers two largest M&A deals in US

### Largest US M&A Deals Announced in Q2'20

Buyers	Target	Target Sector	Date	Transaction Value in \$ billion
Just Eat Takeaway.com NV (TKWY-ENXTAM)	Grubhub, Inc. (GRUB-NYSE)	Consumer	06/10/20	7.5
KKR & Co., Inc. (KKR-NYSE)	Specific businesses and brands of Coty, Inc.	Consumer	05/11/20	3.5
SSR Mining, Inc. (SSRM-TSX)	Alacer Gold Corp. (ASR-TSX)	Materials	05/11/20	2.2
Novo Nordisk A/S (NOVO B-CPSE)	Corvidia Therapeutics, Inc.	Healthcare	06/11/20	2.1
Alexion Pharmaceuticals, Inc. (ALXN-Nasdaq)	Portola Pharmaceuticals, Inc. (PTLA-Nasdaq)	Healthcare	05/05/20	1.4
Invitae Corp. (NVTX-NYSE)	ArcherDx, Inc.	Healthcare	06/22/20	1.4
Social Finance, Inc.	Galileo Financial Technologies, Inc.	Financials	04/07/20	1.2
Empower Retirement LLC	Personal Capital Corp.	Financials	06/29/20	1.0
Mastercard, Inc. (MA-NYSE)	Finicity Corp.	Financials	06/23/20	1.0
Molina Healthcare, Inc. (MOH-NYSE)	Magellan Complete Care line of business	Financials	04/30/20	0.9

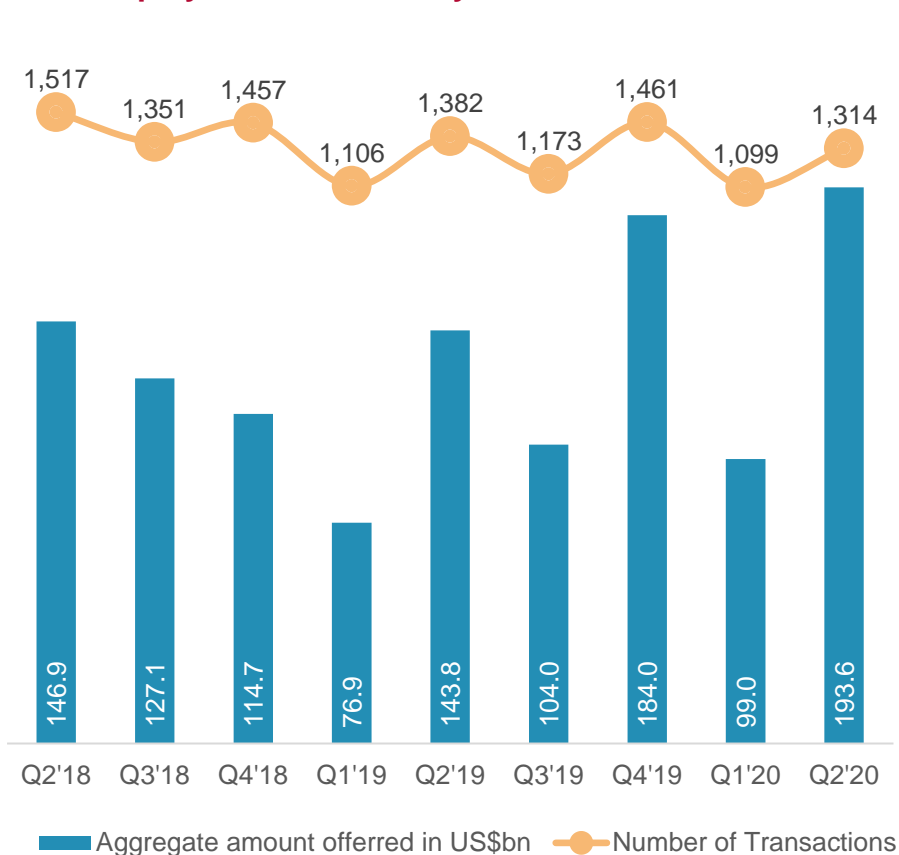
Source: S&P Capital IQ, Aranca Research



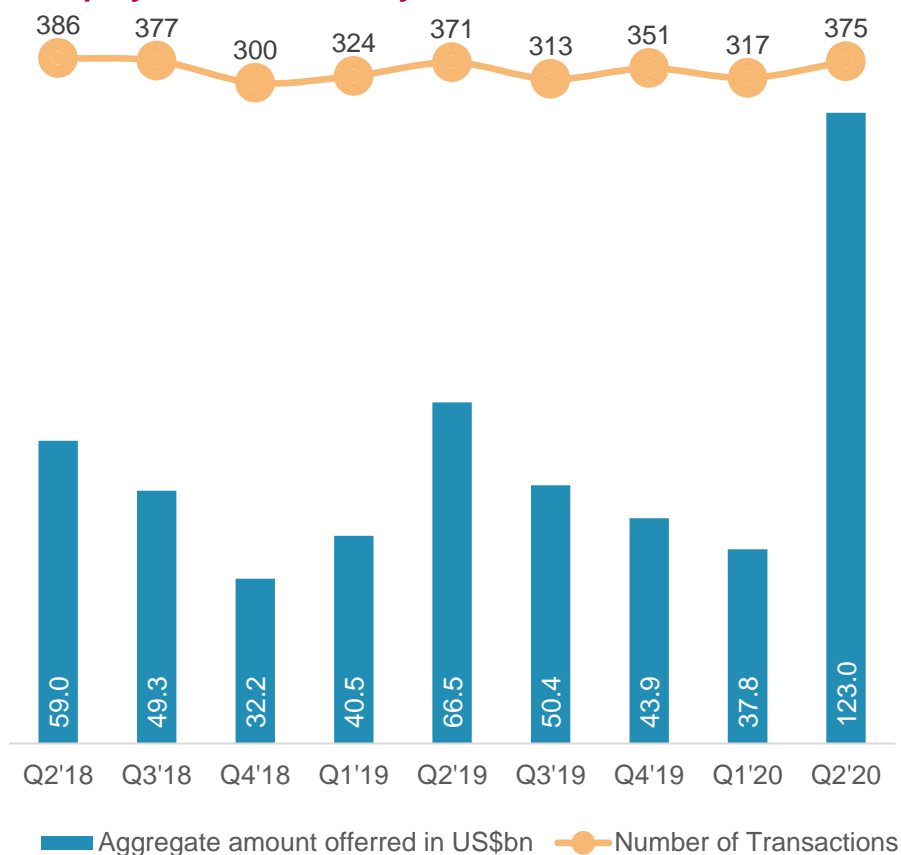
## US issuance market rebounds strongly in Q2'20 driven by surge in issuances from companies raising capital to stabilize business, invest in growth

*Recovery in the global stock market in Q2'20 enabled issuers to tap the capital market to raise attractively priced funds. The surge in convertible and follow-on issuances boosted the number of overall issuances, despite a weak IPO market.*

### Global Equity Issuance Activity



### US Equity Issuance Activity

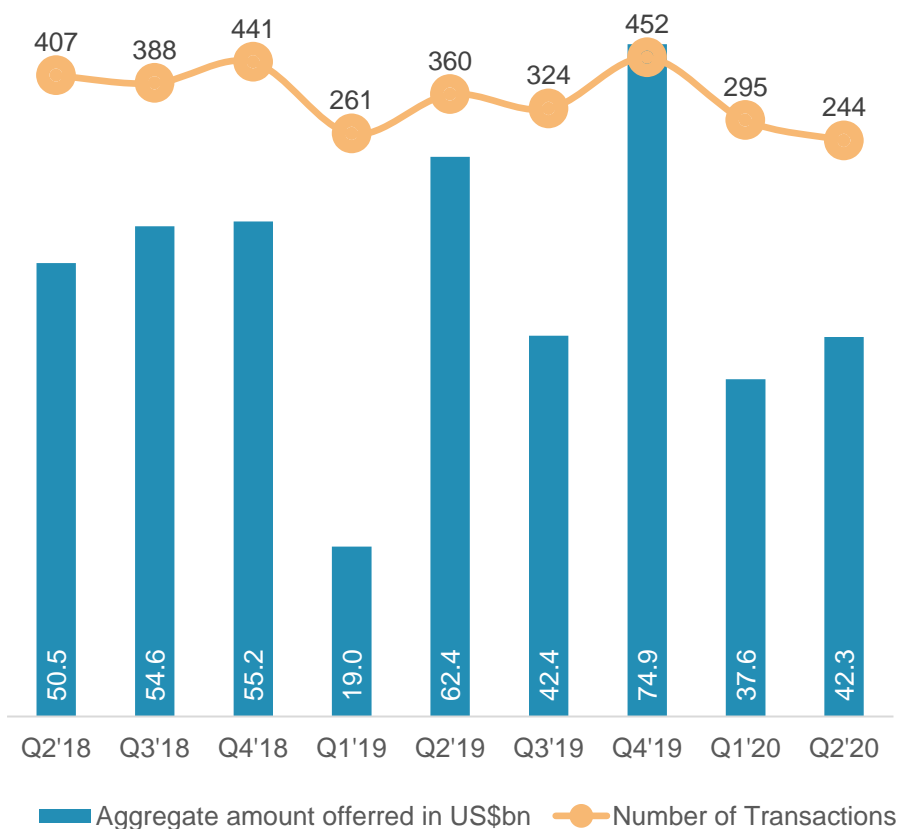


Source: S&P Capital IQ, Aranca Research

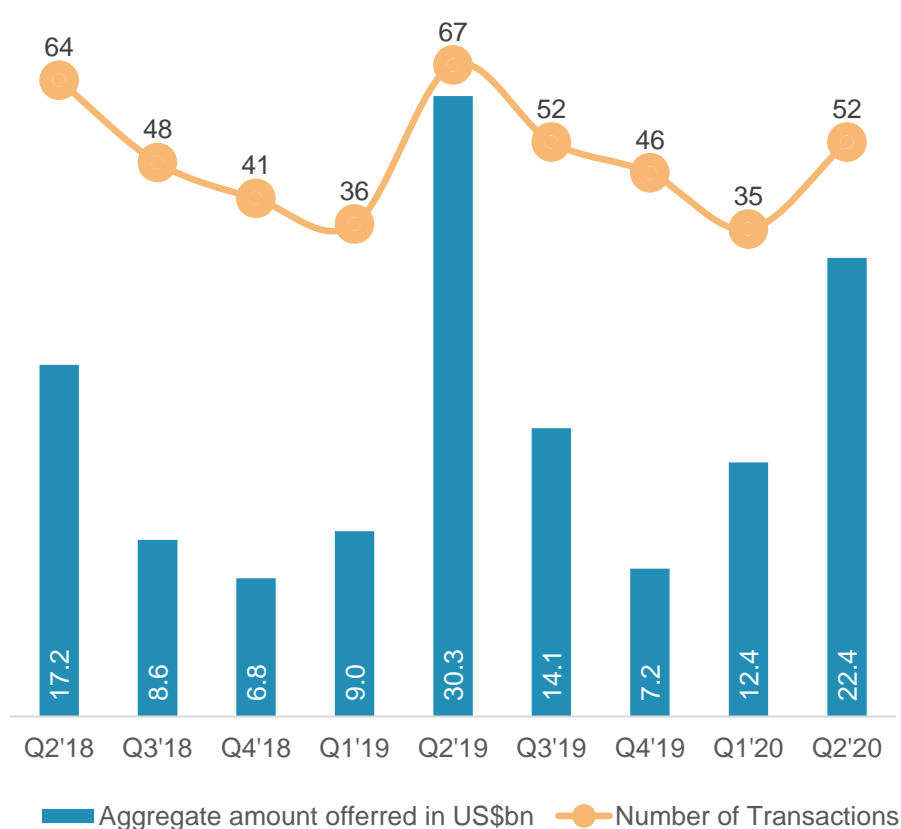
## US IPO activity jumps in Q2'20 due to surge in issuances in financial sector (50% of overall activity)

*Of the 26 IPOs in the US financial sector, 22 involved SPACs. The interest in these so-called 'blank check' companies has been gaining momentum as the product has become more mainstream and attracted the interest of an array of investors.*

### Global IPO Activity



### US IPO Activity



Source: S&P Capital IQ, Aranca Research



## Several large deals in Q2'20 from big companies seeking capital to meet strategic plans

### Largest US IPOs in Q2'20

Company	Sector	Close Date	Gross amount offered \$ million
Royalty Pharma PLC (RPRX)	Healthcare	06/15/20	2,501.3
Dun & Bradstreet Holdings, Inc. (DNB)	Financials	06/30/20	1,981.0
Warner Music Group Corp. (WMG)	TMT	06/03/20	1,925.0
ZoomInfo Technologies, Inc. (ZI)	TMT	06/04/20	1,074.7
Foley Trasimene Acquisition Corp. (WPF)^	Financials	05/26/20	1,035.0
The AZEK Company, Inc. (AZEK)	Industrials	06/11/20	879.5
Social Capital Hedosophia Holdings Corp. III (IPOC)^	TMT	04/21/20	828.0
Albertsons Companies, Inc. (ACI)	Consumer	06/25/20	800.0
GS Acquisition Holdings Corp II (GSAH)^	Cross-sector	06/29/20	750.0
Jaws Acquisition Corp. (JWS)^	Cross-sector	05/13/20	690.0

**Notes:** ^ SPACs; table displays sector in which the company plans to pursue a business combination.

**Source:** S&P Capital IQ, Aranca Research

## Outlook: M&A market likely to remain suppressed over next few quarters; equity issuance expected to normalize in seasonally slow Q3'20



### M&A Market

The US M&A market is likely to remain suppressed over the next few quarters. Businesses will focus on targeting small-ticket transactions to bolster capabilities, rather than on large, transformational M&A deals. PE firms with all time high dry powder are expected to support transactions activity in the near term.



### Equity Issuances Market

After a strong flow of issuances in Q2'20, we expect activity to normalize in the seasonally weak Q3'20. The momentum in issuances is expected to be supported by large issuances from healthcare players seeking funds to combat the pandemic and/or making strategic acquisitions.



### Current Trends

Healthcare and technology are expected to be the most active sectors in terms of M&A and capital-raising in the near term. The start of Q3'20 has already seen multiple billion-dollar tickets in M&A deals so far. Amid the pandemic, investors' interest in these least-affected sectors has remained high.

Source: S&P Capital IQ, Aranca Research

The background is a complex collage. On the left, there are several stacks of silver coins. Overlaid on the top half are a yellow line graph on the left and a white line graph on the right. On the right side, there is a bar chart with blue bars. The bottom half of the image shows more stacks of coins, some of which are slightly blurred, suggesting motion or depth. The overall color palette is dominated by blues, greys, and metallic tones.

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I-Banking Verticals	Aranca's Key Research Support Areas		Library Services Publication Support
<b>1</b> M&A BUY SIDE	<ul style="list-style-type: none"> <li>Targets' list generation</li> <li>Market, fitment and synergy analysis</li> <li>Pitch book and marketing materials</li> </ul>	<ul style="list-style-type: none"> <li>Financial modelling and comps analysis</li> <li>Due diligence support</li> </ul>	<b>MARKET INTELLIGENCE &amp; LIBRARY</b> <ul style="list-style-type: none"> <li>Sector research</li> <li>Industry landscape analysis</li> <li>Competitor and pricing trends</li> <li>Maintenance of deal database</li> <li>Newsletters/periodicals</li> </ul>
<b>2</b> M&A SELL SIDE	<ul style="list-style-type: none"> <li>Buyers' list generation</li> <li>Market, fitment and synergy analysis</li> <li>Pitch book and marketing materials</li> </ul>	<ul style="list-style-type: none"> <li>Benchmarking performance</li> <li>Modelling and comps analysis</li> <li>Buy-out modelling</li> </ul>	<b>DTP &amp; PUBLICATION</b>
<b>3</b> CAPITAL MARKET	<ul style="list-style-type: none"> <li>Proposal building for potential clients</li> <li>Pre-listing evaluation support</li> <li>IPO/FPO – prospectus</li> </ul>	<ul style="list-style-type: none"> <li>Road show pitch book and presentation</li> <li>Valuation range assessment</li> <li>Analytical work to support ESOP</li> </ul>	<ul style="list-style-type: none"> <li>Editorial support</li> <li>Presentation support</li> <li>Templates: reports and presentations layout</li> <li>Formatting reports and presentations</li> <li>Report publication and workflow management</li> <li>Proofreading and print/digital coordination</li> </ul>
<b>4</b> DEBT & EQUITY PLACEMENT	<ul style="list-style-type: none"> <li>PPM/IM preparation</li> <li>Road show pitch book and presentation</li> <li>LBO tear sheets and modelling</li> </ul>	<ul style="list-style-type: none"> <li>Capital structure and covenant analysis</li> <li>Tracking deals, pricing and trends</li> <li>Equity/credit comps</li> </ul>	
<b>5</b> ADVISORY	<ul style="list-style-type: none"> <li>Market and industry landscape analysis</li> <li>Valuation reports</li> <li>Fairness opinion</li> </ul>	<ul style="list-style-type: none"> <li>Research support for strategy formulation</li> <li>Benchmarking performance</li> </ul>	

Connect with our subject matter experts in case of further assistance

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**Avinash Singh**

AVP, Investment Banking  
Investment Research



+91.124.668 9999 (Extn: 951)  
Avinashg.singh@aranca.com



**Kunal Doctor**

Manager, Investment Banking  
Investment Research



+91.22.3937 9999 (Extn: 327)  
Kunal.doctor@aranca.com

*For additional details, please contact:*



[www.aranca.com](http://www.aranca.com)



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