

M&A and Equity Offerings Quarterly Market Report Q3'20 Review



Q3'20 review: Though activity tapers off in summer, M&A announcements surged globally; robust equity issuance, despite pandemic headwinds



M&A Market

In Q3'20, the value of M&A transactions increased 29% YoY (160% QoQ). The increase was partly attributed to the pent-up demand caused by the screeching halt in deal-making in 2Q'20, specially large transactions.

In Q3, 12 deals were made that topped \$10 billion, 4x the level in the prior quarter, with technological offerings emerging as a key theme.



Equity Issuances Market

Companies continued to raise equity to help bolster their balance sheets during the economic downturn. Globally, equity issuance activity increased 130% YoY (18.4% sequentially) to \$237.1 billion.

In the US, the total value fell 15.6% QoQ but rose 117.1% YoY to \$107.8 billion. Majority of cash raised from equity issuances in the financial sector came from special purpose acquisition companies (SPACs).



Current Trends

Six \$10 billion-plus M&A deals have been announced in the fourth quarter, in the first two weeks of November.

The SPAC boom is likely to help pad the M&A market in future quarters as the companies would be looking to invest the capital raised in acquisitions. M&A would continue to grow, as evidenced by the growing deal discussions.

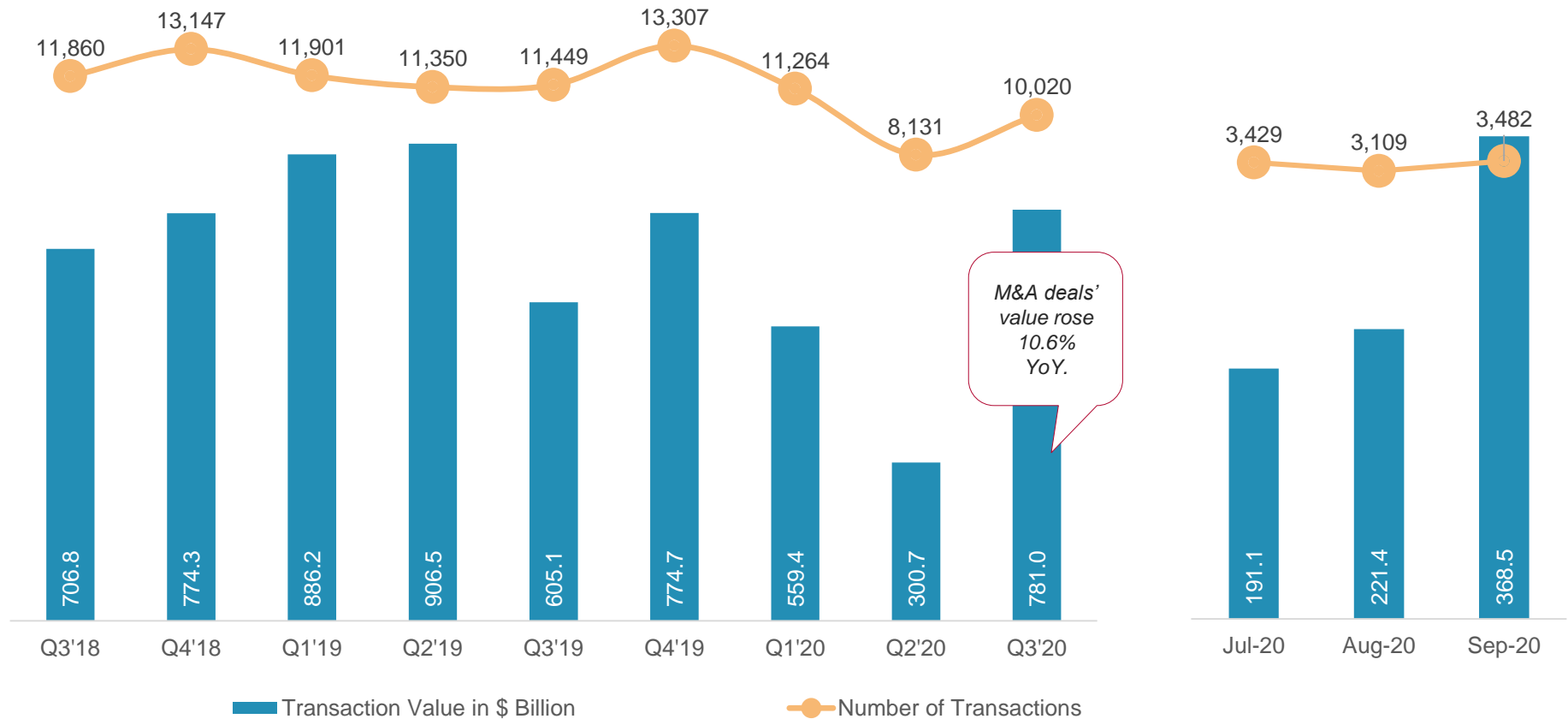
On the other hand, strategic buyers may find competition from private equity players, who in recent years, have built war chests in the preparation for a downturn.

Source: S&P Capital IQ, Aranca Research

Significant rise in global M&A deal value in Q3'20; 12 deals announced in the quarter with transaction value exceeding \$10 billion (up from three deals in Q2)

Monthly transaction values indicate that the M&A market has grown rapidly in the last three months. The deal value increased in September compared to that in July and August, at a CAGR of ~39%; the average number of transactions was 3,340.

Global M&A Activity

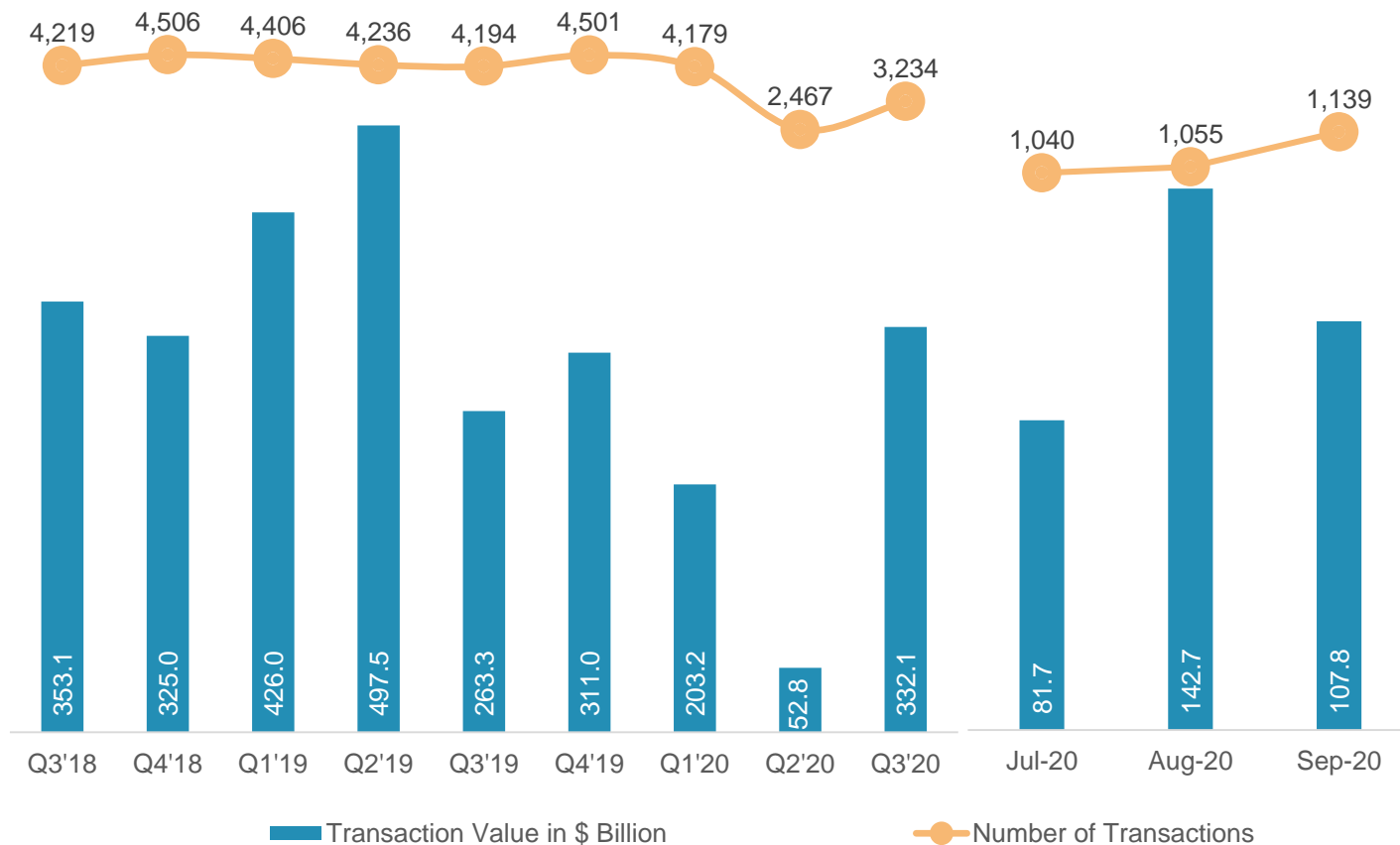


Source: S&P Capital IQ, Aranca Research

26.1% YoY increase (sequential increase: 528.6%) in total value of M&A transactions in the US; eight \$10 billion-plus deals in Q3'20, the second highest in the last two years

On further analysis, we found that the healthcare sector recorded the highest number of large transactions, followed by the technology, media, and telecommunications (TMT) and utilities sectors; in the healthcare sector, the combined value of four deals crossed \$62 billion.

M&A Activity in the US



The high M&A activity helped the US return to its perch as the largest M&A market

Source: S&P Capital IQ, Aranca Research

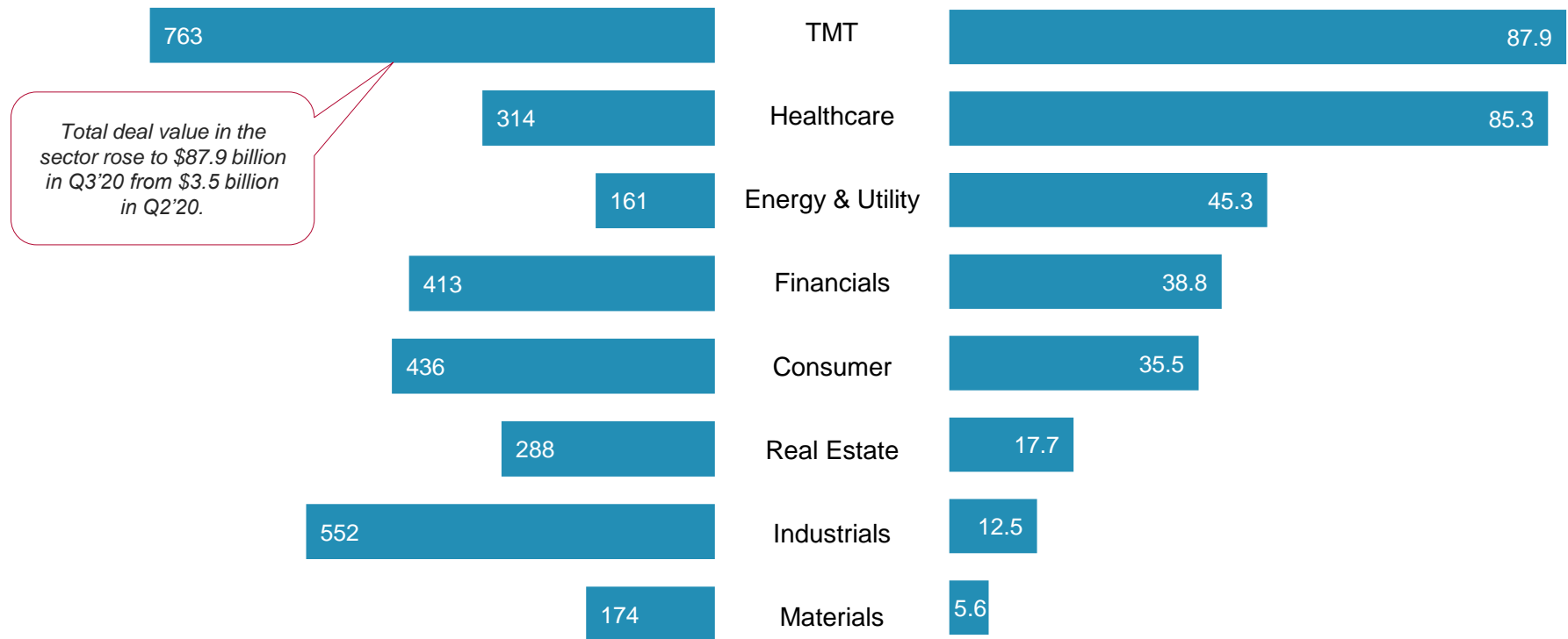
TMT sector records the highest number of transactions, including two large deals, with one being the largest in the quarter

Healthcare and TMT sectors in the US recorded majority of the deals, contributing 53% to the total deal value.

M&A Deals in the US in Q3'20 – By Sector

Number of Transactions

Transaction Value in \$ Billion

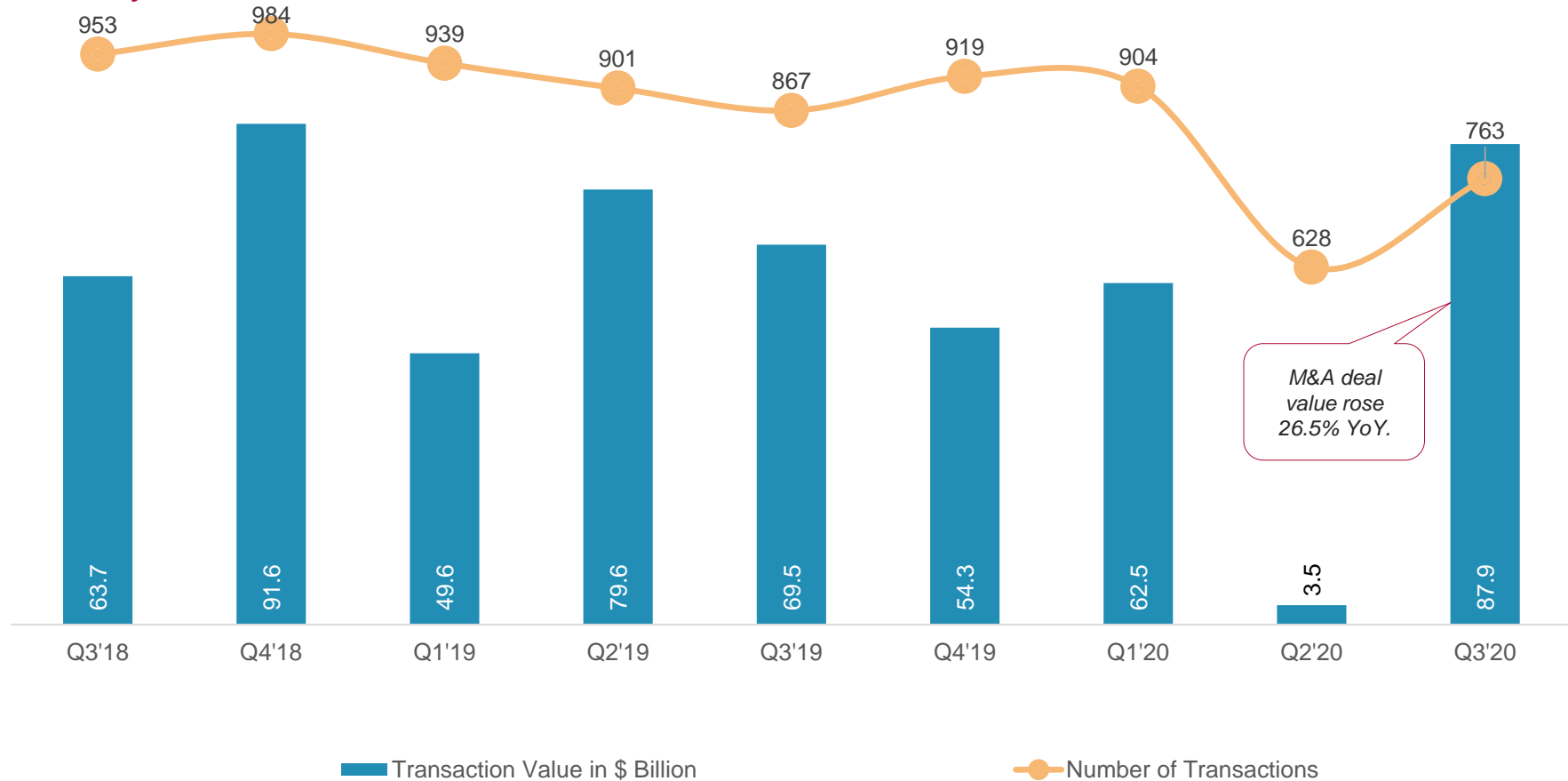


Source: S&P Capital IQ, Aranca Research

TMT contributed ~27% of the total deal value in Q3'20, emerging as the largest sector for M&A activity by deal value as well as deal volume in the US

From a total value standpoint, deal activity in the TMT sector returned to pre-pandemic levels. During the quarter, the largest TMT deal was the \$21.2 billion acquisition of Maxim Integrated Products, Inc. by Analog Devices, Inc.

M&A Activity in TMT Sector in the US



Source: S&P Capital IQ, Aranca Research

Six out of 10 largest deals in the US recorded in healthcare and TMT sectors

Largest M&A Deals Announced in Q3'20 in the US

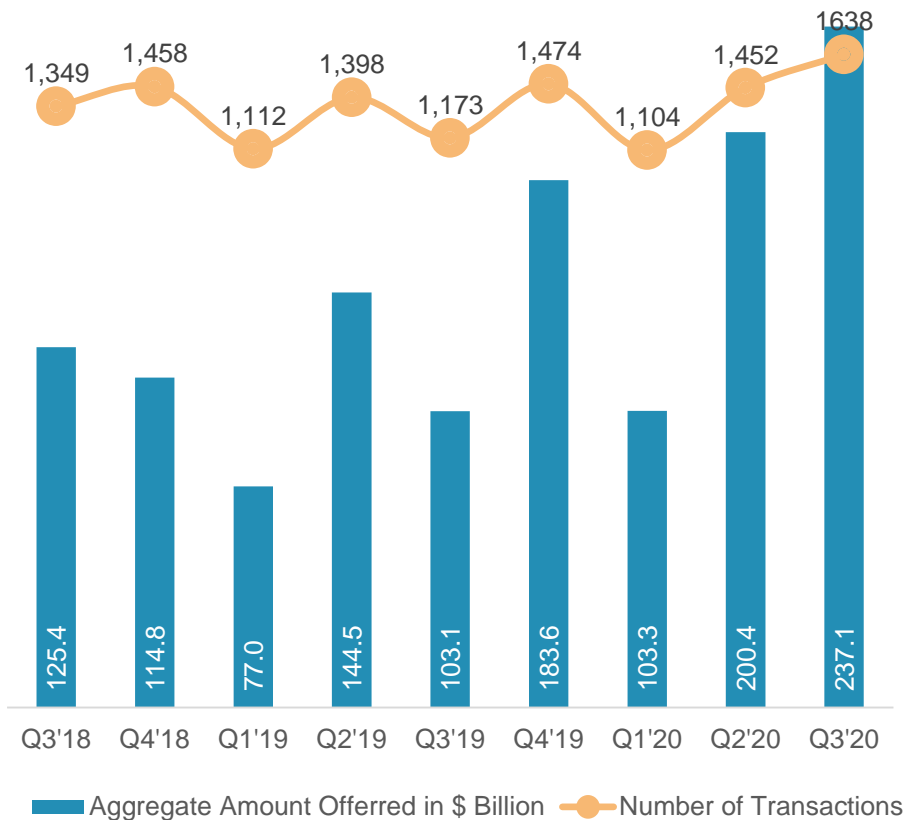
Buyers	Target	Target Sector	Date	Transaction Value in \$ Billion
Analog Devices, Inc. (ADI-Nasdaq)	Maxim Integrated Products, Inc. (MXIM-Nasdaq)	TMT	07/13/20	21.2
7-Eleven, Inc.	Speedway LLC	Consumer	08/02/2020	21.0
Gilead Sciences, Inc. (GILD-Nasdaq)	Immunomedics, Inc. (IMMU-Nasdaq)	Healthcare	09/13/20	19.9
Teladoc Health Inc. (TDOC-NYSE)	Livongo Health, Inc. (LVGO-Nasdaq)	Healthcare	08/05/2020	18.3
Siemens Healthineers AG (SHL-XETRA)	Varian Medical Systems, Inc. (VAR-NYSE)	Healthcare	08/02/2020	16.4
Chevron Corporation (CVX-NYSE)	Noble Energy Inc. (NBL-Nasdaq)	Energy and Utilities	07/20/20	13.8
Liberty Broadband Corp Series C (LBRD.K-Nasdaq)	GCI Liberty, Inc. (GLIB.A-Nasdaq)	TMT	08/06/2020	12.1
Intercontinental Exchange Inc (ICE-NYSE)	Ellie Mae Inc.	Financials	08/06/2020	11.0
Berkshire Hathaway Energy Co.	Natural Gas Transmission and Storage Business	Energy and Utilities	07/05/2020	9.8
Illumina Inc. (ILMN-Nasdaq)	GRAIL Inc.	Healthcare	09/21/20	8.0

Source: S&P Capital IQ, Aranca Research

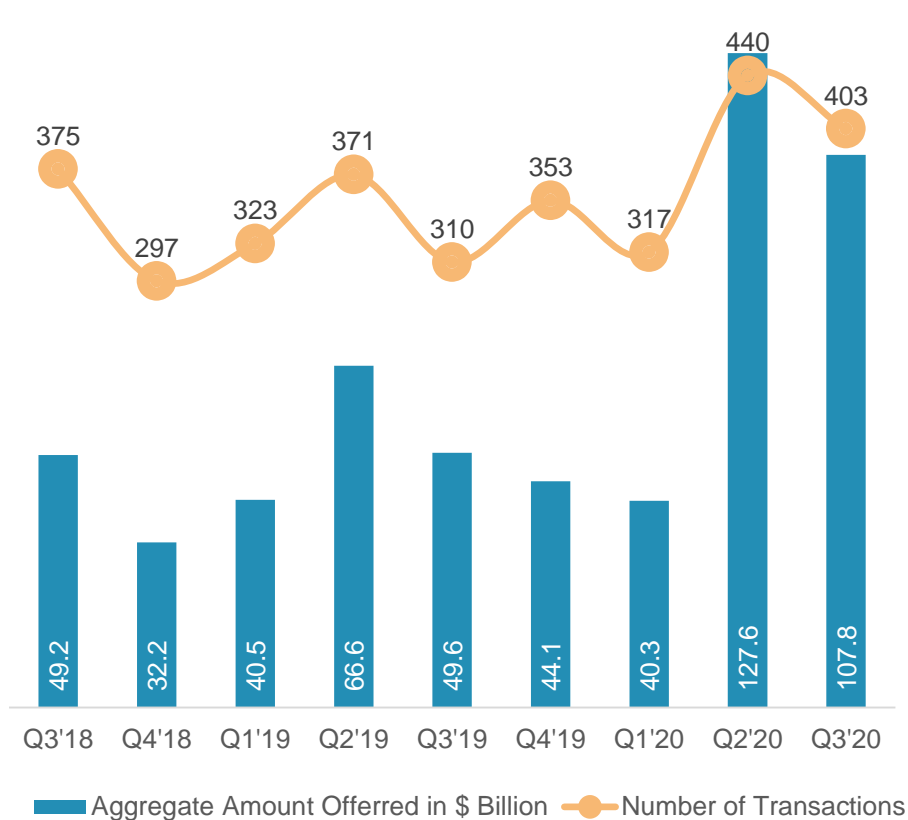
Marginal contraction in issuance market in the US in Q3'20 after a strong rebound in Q2'20; growth trend continuing in global issuance market

Growth in the global stock market in Q3'20 enabled issuers to raise funds. The number of transactions in the global market increased, opposite to that observed in the US market.

Global Equity Issuance Activity



Equity Issuance Activity in the US

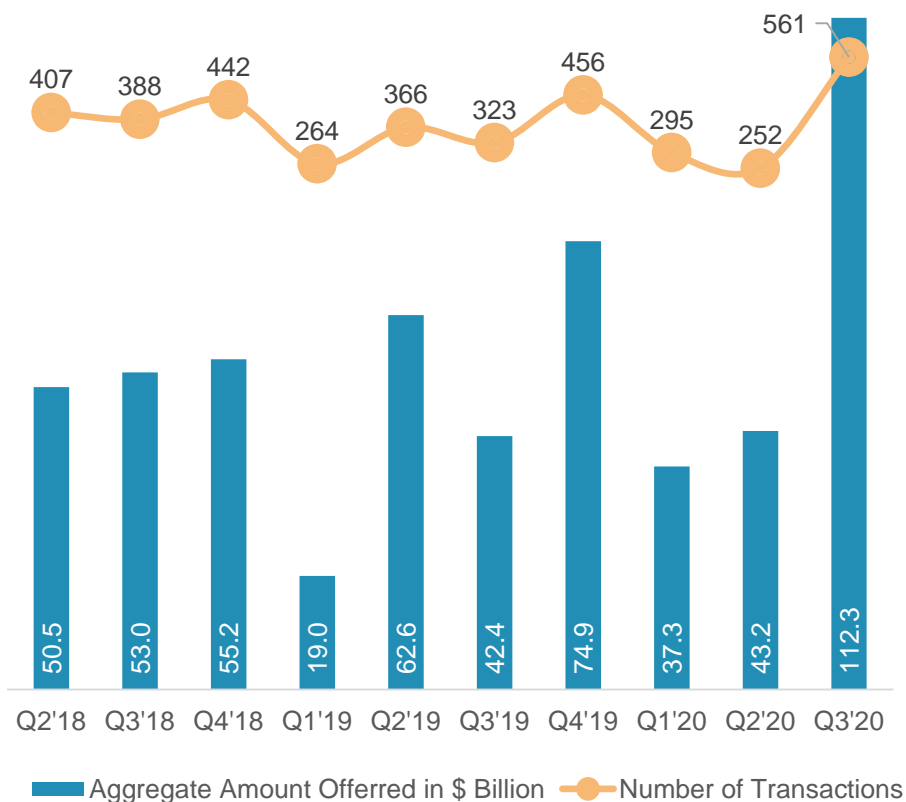


Source: S&P Capital IQ, Aranca Research

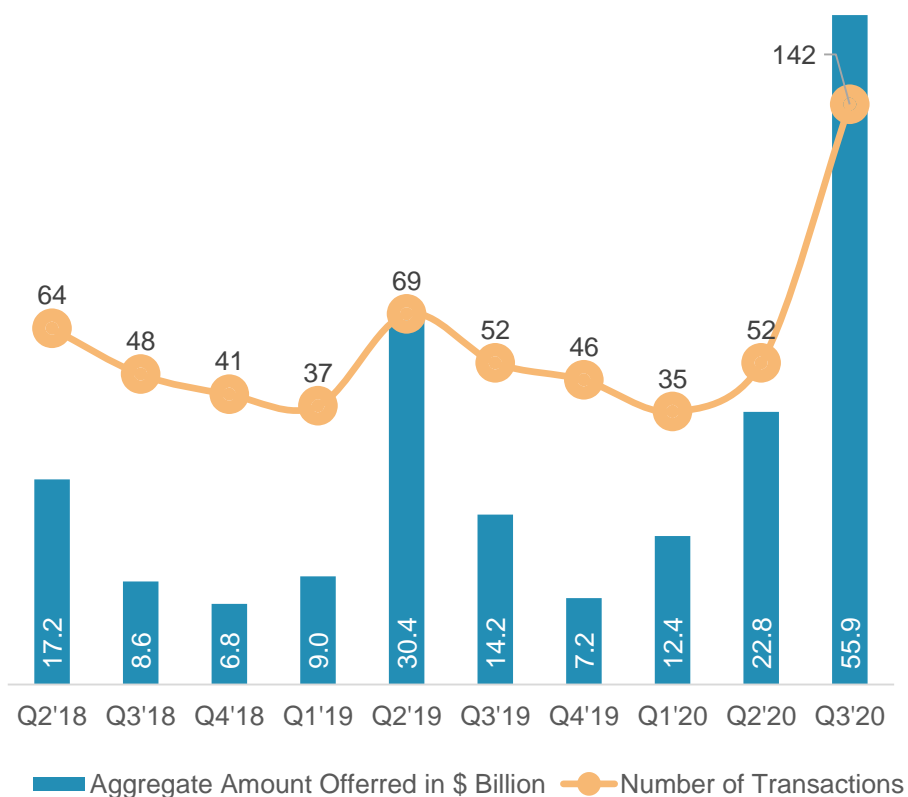
Multifold increase in IPO activity globally and in the US in Q3'20, indicating post-COVID-19 recovery

In the US, of the total IPOs in the market, 76 involved SPACs which raised \$31.48 Billion, or 56.3% of the total IPO proceeds. There has been a significant increase in the number of deals from SPACs in Q3'20.

Global IPO Activity



IPO Activity in the US

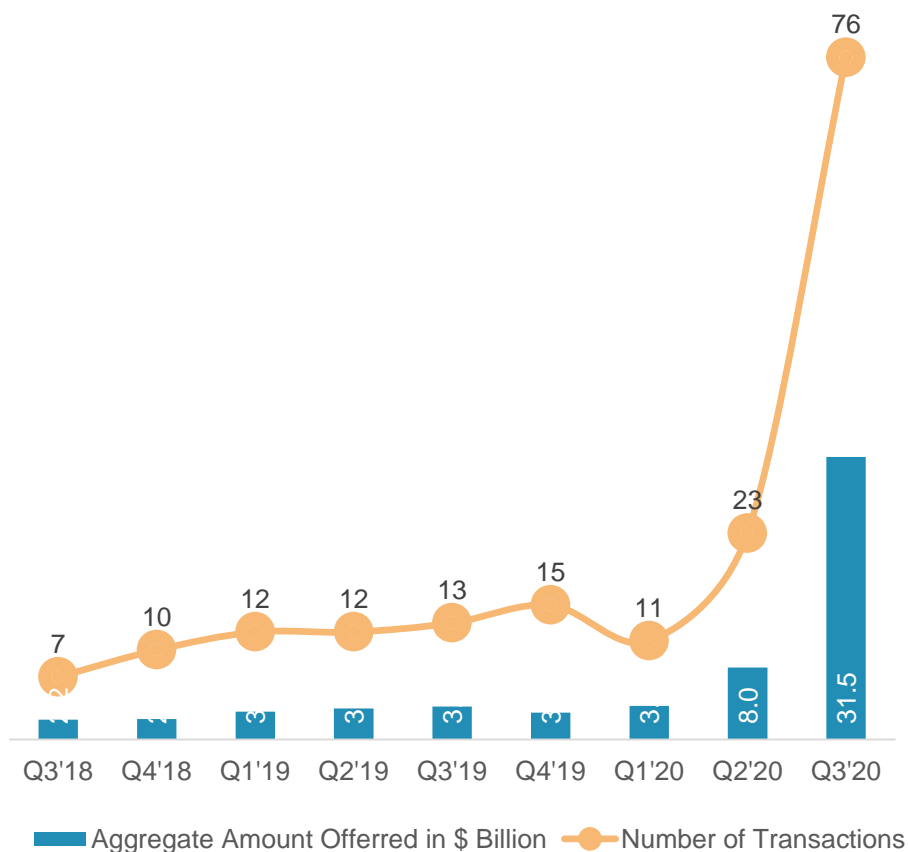


Source: S&P Capital IQ, Aranca Research

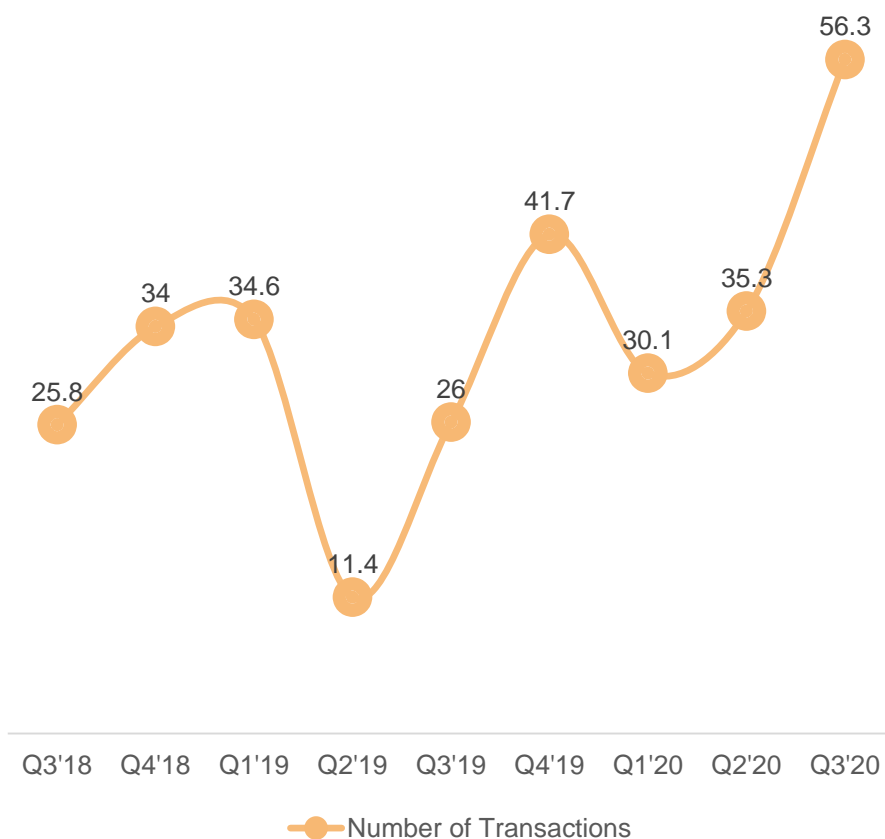
Surge in blank-check IPO activity in the US in Q3'20, signifying strong confidence in the economy

Number of blank-check IPOs in the US increased 3x compared to the previous quarter; the value of the largest IPO was \$690 million. Interest in the “blank-check” companies has been gaining momentum as the product has become more mainstream and attractive to investors.

Blank-Check IPO Activity in the US



Blank-Check IPOs as a % of Normal IPOs



Source: S&P Capital IQ, Aranca Research

Several large deals in Q3'20 from big companies seeking capital to meet strategic plans

Largest IPOs in the US in Q3'20

Company	Sector	Close Date	Gross Amount Offered (\$ Million)
Pershing Square Tontine Holdings Ltd. (PSTH)	Cross-sector	07/22/20	4,000.00
Snowflake Inc. (SNOW)	TMT	09/15/20	3,864.00
Rocket Cos. Inc. (RKT)	Financials	08/05/20	2,070.00
Churchill Capital Corp IV (CCIV)	Cross-sector	07/30/20	2,070.00
Unity Software Inc. (U)	TMT	09/18/20	1,495.00
Foley Trasimene Acquisition Corp. II (BFT)	Financials	08/18/20	1,467.00
GoodRx Holdings Inc. (GDRX)	Healthcare	09/22/20	1,313.70
GoHealth Inc. (GOCO)	Financials	07/14/20	913.5
American Well Corp. (AMWL)	Healthcare	09/16/20	853.3
Cohn Robbins Holdings Corp. (CRHC)	Cross-sector	09/08/20	828

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

Source: S&P Capital IQ, Aranca Research

Outlook: M&A market likely continue its growth run over the next few quarters; equity issuance expected to stay strong in Q4'20



M&A Market

M&A markets in the US and globally rebounded strongly in Q3'20. Lenders are willing to support the PE-backed deals. The environment seems to be supportive for further M&A activity.



Equity Issuances Market

The issuances in Q3'20 indicate movement toward normalization and the trend is expected to continue in the coming quarter. SPACs shall provide the support, setting the stage for further strong activity in the coming quarter.



Current Trends

Healthcare and technology are expected to remain the most active sectors in terms of M&A and capital-raising in the near term. Multiple billion-dollar M&A deals were announced in Q3'20 and the trend is expected to continue in the coming quarter. Also, a pickup in restructuring is expected in the sectors most negatively affected by the pandemic.

Source: S&P Capital IQ, Aranca Research



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<p>2 M&A SELL-SIDE</p>	<ul style="list-style-type: none"> Buyer list generation Market, fitment, and synergy analysis Pitch book and marketing materials 	<ul style="list-style-type: none"> Benchmarking performance Modelling and comps analysis Buyout modelling 	
<p>3 CAPITAL MARKET</p>	<ul style="list-style-type: none"> Proposal building for potential clients Pre-listing evaluation support IPO/FPO – Prospectus 	<ul style="list-style-type: none"> Road show pitch book and presentation Valuation range assessment Analytical work to support ESOP 	<p>DTP & PUBLICATION</p> <ul style="list-style-type: none"> Editorial support Presentation support Templates: Report and presentation layout Formatting reports and presentations Report publication and workflow management Proofreading and print/digital coordination
<p>4 DEBT & EQUITY PLACEMENT</p>	<ul style="list-style-type: none"> PPM/IM preparation Road show pitch book and presentation LBO tear sheets and modelling 	<ul style="list-style-type: none"> Capital structure and covenant analysis Tracking deals, pricing, and trends Equity/credit comps 	
<p>5 ADVISORY</p>	<ul style="list-style-type: none"> Market and industry landscape analysis Valuation reports Fairness opinion 	<ul style="list-style-type: none"> Research support for strategy formulation Benchmarking performance 	

Connect with our subject matter experts for further assistance



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