

2020

# Global M&A in 2020: *Impact of COVID-19*

OVERVIEW VERSION







## About our Global M&A in 2020: Impact of COVID-19 report

When we published our annual M&A Intelligence report in spring of this year, Asia was in the midst of dealing with COVID-19, Europe was just starting to feel the impact and for the US, COVID-19 was widely expected to have an impact but the scale and timing was unclear. Many people, including us, speculated on how the M&A market would react to the unprecedented disruption and government support for the economy and how deal terms might change as the scale and severity of the pandemic became clear. Looking back, there is no doubt that Q1 2020 witnessed one of the biggest and most sudden disrupting events the global M&A market has ever experienced but, just as it has with all geopolitical events to date, the M&A market has adapted and recovered.

**Our Global M&A in 2020: *Impact of COVID-19* report includes analysis and commentary on the following key topics and questions:**

- Have deal terms changed as much as anticipated?
- Will distressed M&A be a significant feature of the global M&A market in 2021?
- Are we likely to see an increase in disputes arising from M&A transactions?
- Which sectors have benefited overall from COVID-19?
- Has COVID-19 moved the market in favour of buyers, accelerating the trend that started to emerge during 2019 and Q1 2020?

We recognise that COVID-19 hit different parts of the world at different times and therefore selecting a threshold date for a post COVID-19 deal is not a precise science. For the purposes of this report, we have chosen the date on which the WHO declared COVID-19 as a global pandemic (11 March 2020) as our threshold.



## Overview of key headlines

Overall, our research shows that whilst there have been some changes to deal terms, many things have also stayed the same; in fact, it is fair to say that more stayed the same than some commentators expected. 54% of our partners surveyed reported that the general balance of deal terms between buyers and sellers has not shifted. There was undoubtedly significantly less M&A around the globe in Q2. Many deals were put on hold, others aborted entirely and those that did continue on average took longer to reach signing and closing. Many deals that were signed in the pre-COVID world suddenly looked very different from a buyer's perspective and we saw some buyers looking to exercise walk away rights; buyers in deals that had not signed sought to negotiate broader termination rights than had been market standard prior to the pandemic.

In fact, 2019 and Q1 2020 saw an already slowing M&A market and deal terms were showing signs of moving in favour of buyers. As with many things, COVID-19 accelerated that trend. We have already seen more M&A related litigation and that is probably the start of a trend that will continue over the next few years as buyers look to recoup value for businesses that have performed very differently to expectations.

All that said, a lot has stayed very similar. We expected to see more asset deals but the balance between asset deals and share deals stayed broadly the same. Some 'hot' assets remained very much in demand and we continued to see highly competitive and quick processes for certain assets (including distressed businesses marketed at discounted valuations).

The 'locked box' continued to be just as popular in Europe save for smaller deals where we saw an overall increase in completion accounts; escrows were used in a similar number of deals although where they were used, the time they were held for and the escrow size all increased; and finally, whilst we saw some increase in earnouts, it was lower than we expected – it may be that where a price couldn't be agreed, the parties put the deal on hold rather than try to agree an earnout structure in an environment where the foreseeable future remained relatively uncertain.

### Accolades



**#1 Global M&A deal count** –  
(for the last decade) #decadeofdeals  
*Mergermarket 2019*

**#1 Europe Private Equity deal count** –  
Buyouts and Exits combined (for the third consecutive year)  
*Mergermarket 2019*

**Global M&A Intelligence Report** –  
Commended in the 'Data, Knowledge and Intelligence' category  
*FT Innovative Lawyer Awards 2019*



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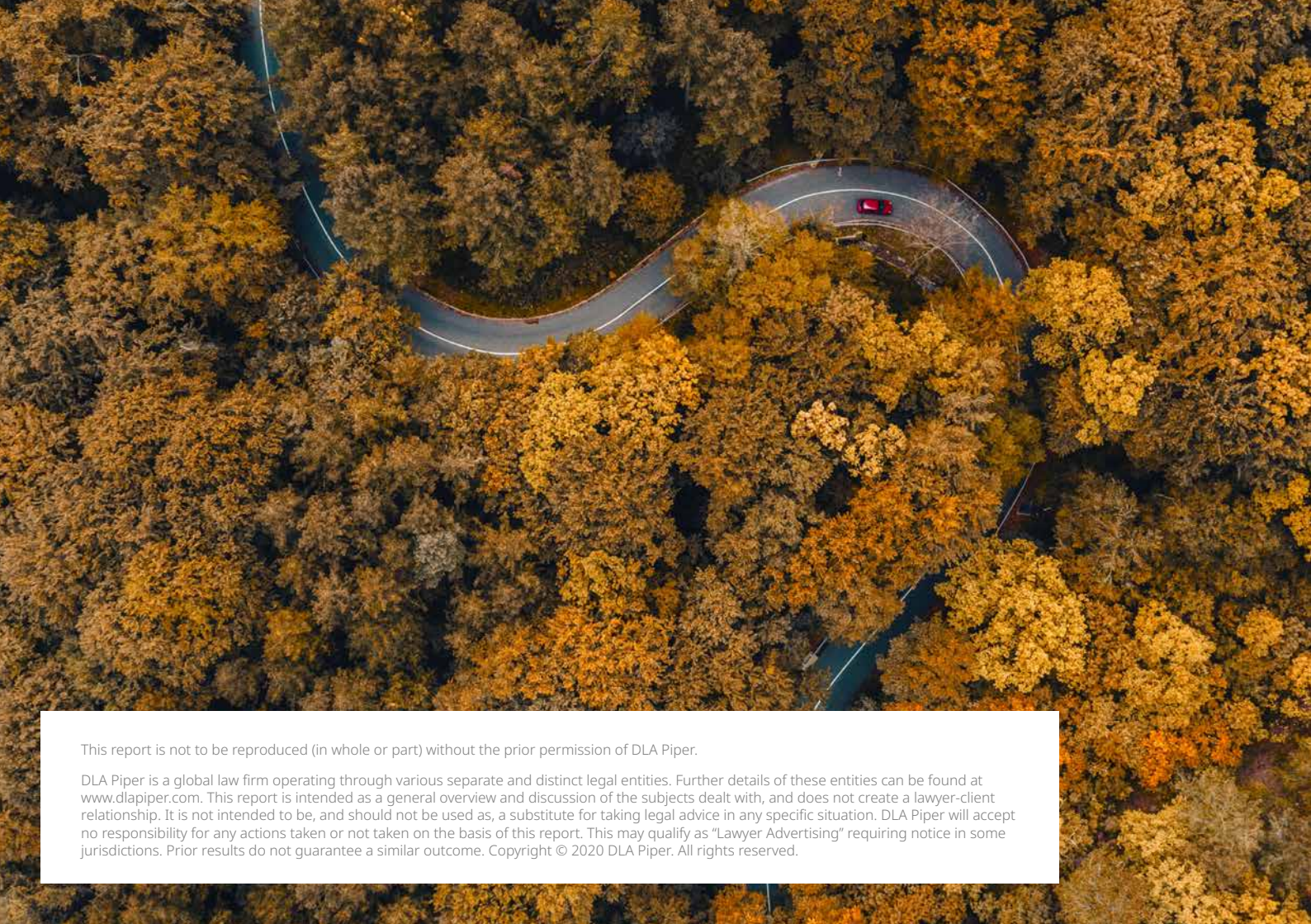


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