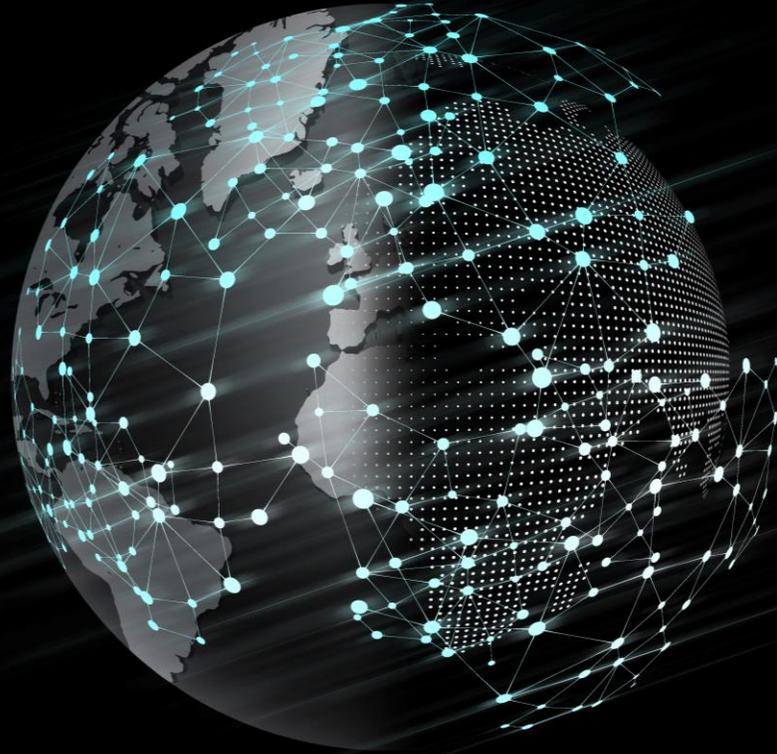


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M&A and Covid-19
Charting new horizons



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M&A and Covid-19: Charting new horizons

WHAT DOES “RECOVER” MEAN IN THE CONTEXT OF M&A?

In recovering from the Covid-19 pandemic, companies will need to deploy a wide variety of inorganic growth strategies to create and drive lasting value. The post-crisis M&A environment will be materially different – a corporate purpose that intertwines sustainability with commercial success, resilience and building trust across a wide coalition of stakeholders will be at the cornerstone of deal making. Well-planned, bold moves will cement lasting industry leadership and incontrovertible societal gain.

IDEA IN BRIEF:

- We believe M&A activities will have a strong influence in shaping the next normal conditions but in order to drive lasting value, **deal making itself has to change to reflect the new priorities of the post-crisis world** – strategic imperatives for M&A will shift or need to be rewritten.
- In a post Covid-19 world, the role of M&A will be redefined: a **combination of offensive and defensive M&A strategies will emerge** as companies strive to defend their existing markets, accelerate recovery and position themselves to thrive.
- Beyond traditional M&A, **companies will need to deploy a wide range of inorganic growth strategies** such as – acquisitions of disruptive innovation technologies, portfolio optimization, divestments of non-core assets, partnerships with their peers, co-investments with private equity, cross-sector alliances with specialists and partnership with governments to aid recovery. **Trust will be the connective tissue that binds all these initiatives together.**

RESPOND

Prepare / Manage
Continuity

RECOVER

Learn & Emerge
Stronger

THRIVE

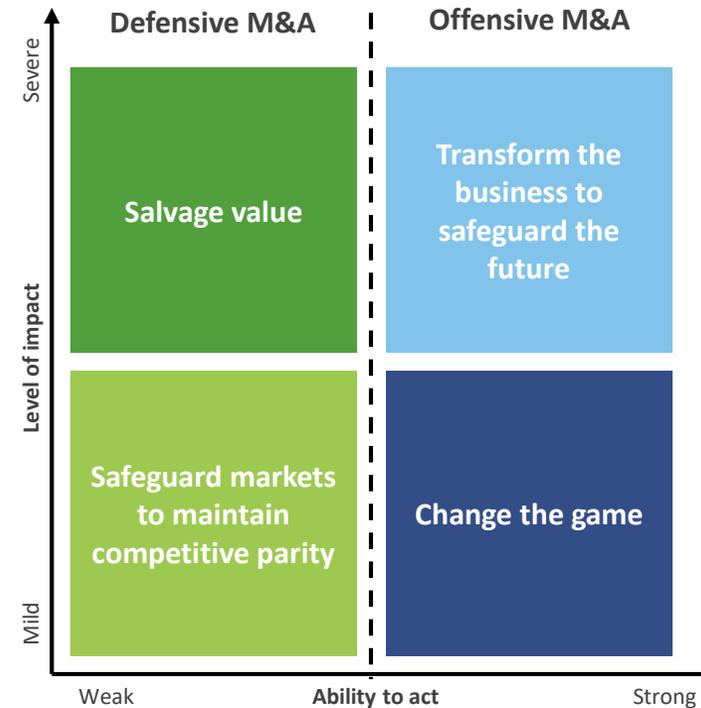
Prepare for the Next
Normal

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THERE WILL BE AN ASYMMETRIC RECOVERY ACROSS REGIONS AND SECTORS...

- ..and the far-reaching implications of Covid-19 are likely to result in a “new normal” across every single sector, and **many will use M&A to accelerate the transformation.**
- **Understanding the rebound curves will help companies** decide the direction of their strategy, identify the new capabilities required and **prioritize the markets where they need to operate to drive growth and profitability.**
- **Redefining M&A in terms of these scenarios** and choices will bring much needed clarity of purpose while confronting uncertainties. A **combination of defensive and offensive M&A strategies** will emerge as companies strive to **safeguard existing markets, accelerate recovery and position themselves capture unassailable market leadership.**

M&A STRATEGY FRAMEWORK



For companies propelled into survival model by Covid-19, they may turn to M&A – whether by choice or necessity – to safeguard their future.

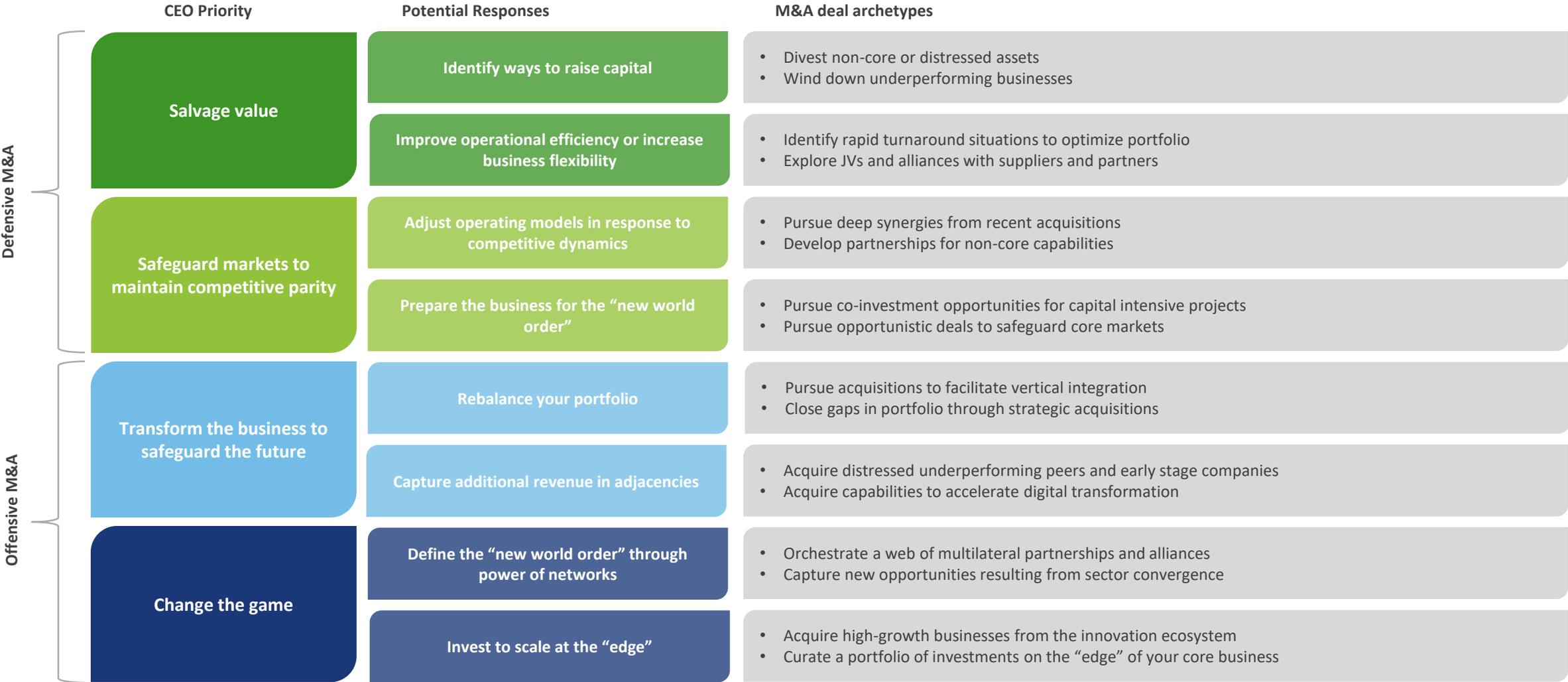
For companies who have been able to ride the upswing in demand for new, digital operating models and services, they may turn to acquisitions to lay the groundwork to capture unassailable market leadership.

Level of impact assessment: Consider the impact of pandemic on economic recovery and market supply / demand dynamics, your people, customers and competitive environment.

Ability to act assessment: Consider your liquidity position, balance sheet strengths and ability to raise capital from the markets in relation to the resilience of your business operating model and those of your suppliers and partners.

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M&A STRATEGY FRAMEWORK (cont.)



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IN CONCLUSION...

M&A is set to be at the heart of recovery, however, companies will need to deploy a wide range of inorganic growth strategies, such as **acquisition of disruptive innovation technologies, portfolio optimization, divestments of non-core assets, partnerships with their peers, co-investments with private equity and cross-sector alliances with specialists.**

The “next normal” is likely to accelerate sector convergence underpinned by **new customer behaviors and spending patterns**. This will create opportunities for non-traditional players to enter established markets with new market offerings and, in some cases, displacing the market incumbents.

All sectors are undergoing significant technological disruption. The impact of Covid-19 has caused many sectors to accelerate the **adoption of digital** in their business models. Companies, particularly from the non-tech sector, will pursue technology acquisitions to build agile operational and customer channels.

We should also expect to see broader recognition of **social and environmental responsibilities driving not just scrutiny of deals, but broader ecosystems are being reshaped** that will give rise to **different perspectives on evaluating portfolios**. The post-crisis M&A environment will be materially different – a corporate purpose that **intertwines sustainability with commercial success** and **building trust** across a wide coalition of stakeholders will be at the **cornerstone of deal making**.



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