M&A TRENDS 2020

Despite being on the outer edges of one of the most prolific M&A markets in history, deal makers are generally optimistic in their outlook for the year ahead.

Following 7 years of record-setting M&A activity, deal makers largely anticipate stable or increasing activity in 2020.

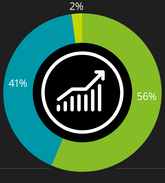
VOLUME

63% of respondents foresee deal activity increasing over the next 12 months – down from last year when **79 percent** said the number of deals would increase.

33% anticipate deal volume will stay the same.

4% of all respondents predict deal volume will decrease over the same period of time.

VALUE



- Respondents expect deal size to increase
- Respondents expect deal size will stay the same
- Respondents expect deal size will decrease

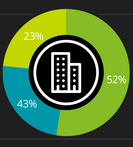
Corporate divestitures

75% of corporate respondents expect to pursue divestitures in 2020, the second highest level in the past four years.

Private equity exits

What do you expect to be the primary form of portfolio exits in the market as a whole over the next 12 months? (private equity only)

- Strategic sale
- IPO
- Sale to another PEI



Economic slowdown

42% of respondents indicate that an economic slowdown would lead to increased deal activity.

And the top drivers of M&A activity in the event of an economic downturn divide up as follows:

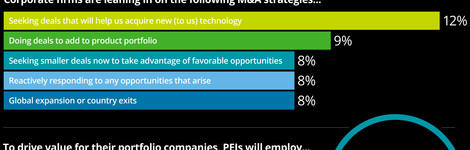
45 percent would focus on maintaining competitive positioning.

31 percent would seek out undervalued assets.

Smaller numbers would seek inorganic growth (**14 percent**), divest non-core assets (**5 percent**), or seek liquidity (**5 percent**).

OTHER TRENDS:

Corporate firms are leaning in on the following M&A strategies...



To drive value for their portfolio companies, PEIs will employ...

Revenue improvement strategies **22%**

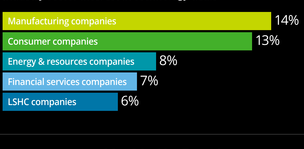
Growth strategies **16%**

Despite the strong deal environment, 46 percent say that less than half of their transactions over the past two years have generated the expected value. The top reasons why deals have missed the mark: economic forces (**32%**), market or sector forces (**30%**), and expected sales did not materialize (**30%**).

Deal makers indicate an increased focus on domestic transactions, likely in reaction to persistent concerns about political and trade instability.

Deal makers are most interested in intra-industry and sector convergence. However, interest in technology deals cuts across many sectors:

Industry sector interest in technology deals



60% Of corporate respondents say shareholder activism is impacting their M&A strategy and execution.

82% Of corporate respondents say their boards actively oversee M&A activity.

Deal makers indicate that digital tools and accelerators are impacting M&A transactions by:

Providing additional insights to the model **53%**

Minimizing risks/ uncertainties through more analysis in the diligence phase **51%**

Follow us on Twitter @DeloitteMnA
Access the full report: www.deloitte.com/us/ma-trends-report
Subscribe to receive M&A thought leadership: www.deloitte.com/us/masubscribe

Deloitte.