Divestiture M&A news: 2015 Q4 Recap

Global divestiture market strength continued in 2015

Divestiture activity remains strong globally

- The 12,701 global divestitures completed in 2015 represented 39% of worldwide M&A volume in 2015, representing a slight decline from 2014, but greater volume than in either 2012 or 2013.

- Divestiture activity has historically remained strong during recessions and market downturns relative to broader M&A activity, with volume relative to non-divestiture-related M&A increasing in each of the last three recessions (’90–’91, ’01, ’08–’09). (1)

Industrials lead divestiture deal volume

- With 438 divestiture deals announced in Q4 2015, industrials has been the most active industry in carve-out activities. (1)

- The top three industries, industrials, real estate, and financials, accounted for more than 36% of total volume.

- The total announced value of 2015 Q4 divestitures was $409 billion. (1)

Footnote:
(1) Thomson Financial
Average divestiture EV/EBITDA multiples increase

- Average disclosed EV/EBITDA multiples increased significantly from 2014 to 2015 due to higher average valuations and lower earnings.\(^{(1)}\)
- For the second time since 2010, average EBITDA multiples for divestitures exceeded average transaction multiples for traditional transactions.
- Divestiture EBITDA multiples also continued to exceed the average EBITDA trading multiple for the S&P 500 index, highlighting the valuation premiums divestitures often deliver compared to businesses as a whole.

Strategic buyers drive the majority of carve-out deals

- Strategic sponsors remained the largest purchasers of carve-outs, representing 64% of all buyers in 2015.
- Over the past five years, financial sponsor acquisitions have increased by 12% while strategic buyer purchases have decreased by 5%, indicating that financial sponsors are playing a more important role in the global divestiture market.

Footnotes:
(1) Thomson Financial
(2) Total M&A average multiples include divestitures
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Corporate Development Strategy: Thriving in your business ecosystem
In corporate development, traditional dealmaking approaches may no longer be enough to create the desired value and manage potential activism. Companies today need agility, fresh thinking, and a high tolerance for disruption to seize market opportunities in areas where new business models are still being defined.

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Technology spinoff 2015
Spin cycle: The rise of technology sector ‘de-mergers’
The technology sector is continually being reshaped through merger and acquisition (M&A) activity. This article presents a brief history of technology sector divestiture activity; assesses the spin-off value proposition; analyzes the typical drivers of technology spins; presents examples of notable spin-offs; and explores how digital disruption is creating opportunities for companies to use both spin-offs and sales to create shareholder value.

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