Divestiture M&A news: 2016 Q1 Recap

Global divestiture market experienced a slower start to 2016

Divestiture activity starts slow

- Divestiture activity declined in 2016 Q1 vs. 2015 Q4, continuing a seasonal pattern experienced in the first quarters of 2014 and 2015. Should the historical cycle trend continue, M&A volume will recover in the second quarter.
- 2016 Q1 divestiture volume declined by 8.6% compared to 2015 Q4 while non-divestiture M&A volume declined by 23.2%, demonstrating resilient demand of divestiture transactions relative to non-divestiture transactions.

Divestiture sector activity (by target) 2015 Q4 vs. 2016 Q1

Industrials remain the most active sector

- With 445 divestiture transactions announced in 2016 Q1, the Industrials sector continues to be the most active, representing a 1.6% increase in deal volume compared to 2015 Q4.\(^2\)
- Industrials, Real Estate, and Energy & Power increased as a percentage of total volume, while the Financials and Materials sectors declined by 4.4% and 2.5% respectively quarter-over-quarter.
Asia-Pacific buyers drive Q1 divestiture activity

- Significant Chinese activity resulted in Asia-Pacific buyers closing 39.8% of all divestiture transactions in Q1 2016 due to increased interest in energy and technology assets, displacing American buyers as the largest acquirer group by volume. (3)
- American buyers closed approximately 35.7% of total divestiture deals in 2016 Q1, similar to the region’s share in 2015 Q4.
- European buyers were less active in divestiture acquisitions in 2016 Q1, closing only 18.6% of all transactions vs. 30.9% in 2015 Q1. This decline was likely driven by continued weak macroeconomic conditions across Europe.

More divestitures captured by strategic buyers

- Strategic acquirors have increased divestiture-related acquisition activity from 60.5% of all transactions to 73.8%.
- In 2016 Q1, only 26.2% divestiture transactions were closed by financial sponsors, representing a 33.7% decrease from 2015 Q1 due to significant decrease in leverage buyout volume. (2)
Dig deeper

Explore Deloitte’s mergers, acquisitions, and divestiture-related news and insights.

M&A trends report 2016: Is last year’s record pace sustainable?

Coming off a record year for mergers and acquisitions (M&A), an overwhelming majority of executives at US corporations and private equity firms forecast that deal activity will stay strong or even ramp up. What M&A trends are driving their optimism? What factors could potentially put the brakes on? Our third annual trends report asks M&A leaders for their predictions.

Read the report.

Better break-ups: The art of the divestiture

In their continuing efforts to unlock greater shareholder value from portfolio realignment, CFOs are increasingly turning to spin-offs, which create new public companies out of existing business units. In this issue of CFO Insights, we look at four lessons to consider when separating an entity and keys to helping companies get it right the first time.

Read more.

CFO Signals™ 2016 Q1: A rough 2016 start for economies and equities sparks concerns

Performance expectations have fallen sharply to levels at or near new survey lows, and CFOs’ confidence in their companies’ longer-term prospects is on the verge of turning net-negative for the first time in more than three years.

Access the report.

Divesting with confidence

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- Range of value analysis
- Pre-sale due diligence
- Identifying qualified strategic and financial buyers globally
- Developing marketing materials
- Conducting competitive marketing processes
- Coordinating management presentations with client-selected acquirors
- Facilitating post-LOI diligence streams
- Advising on transaction structuring, negotiations, and closing

Welcoming a new Managing Director

Deloitte Corporate Finance LLC is pleased to announce the addition of Bill Kerkam, Managing Director, to focus on advisory efforts in the packaging space. Bill joins our team from WestRock (formerly with MeadWestvaco), where he worked closely with senior management to lead acquisition and divestiture activities.
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