



Global Acquirer Trends

Q2 2019

Globally, mid-market M&A deal volumes rose in the second quarter in every major market except the Brexit-laden UK. Overall global deal tally stood at 2,574, up from 2,379 in Q1, a nearly 8.25% increase. In North America, M&A activity rose to 1,488 from 1,338 in Q1, a nearly 11% gain. In Europe, deal volume increased 6.7%, with activity rising to 985 in Q2, up from 923 in Q1.

Transaction volumes decreased slightly in the UK and Ireland (UK&I), with 292 in Q2 down from 320 in Q1, a decline of about 9.5%. Given the risk of macroeconomic chaos that could result should the UK leave the European Union on October 31 without an exit agreement, the results were actually a testament to investors' enduring esteem for British companies.

Elsewhere in Europe, M&A activity in the DACH region (Germany-Austria-Switzerland) stayed strong, rising to 272 deals in Q2 from 264 in the first quarter, an increase of 3%. The Nordic market grew more dramatically, with deal activity increasing to 298 in Q2 from 256 in the prior quarter, a climb of 16.4%. But the star in Europe in Q1 was Iberia, where deal volume jumped from 83 to 123, a rise of more than 48%. Further east, Asia-Pacific volumes fell from 118 in Q1 to 101 this quarter, a decline of 14.5%, perhaps a reflection of trade war concerns.

Interestingly, while overall global deal volume was up in Q2, the number of total inbound deals were down to 818 in the second quarter from 826 in Q1, an indication that buyers may be becoming more conservative in their search for good assets, preferring known quantities to those overseas. In North America, inbound to domestic deal ratios

stayed relatively the same in Q2 at 22.1% inbound, and 77.9% domestic vs Q1 (22.9% and 77.1%). In the UK&I, inbound to domestic deal ratios varied slightly, at 32.2% inbound to 67.8% domestic in Q2 vs Q1 (38.4% and 61.6%). In the DACH markets, inbound volumes fell slightly in Q2, from 57.6% in Q1 to 49.3% in Q2. Iberian deals stood at 58.5% inbound in Q2, slightly down from 61.4% in the first quarter. Nordic inbound deals fell as well, from 49.2% in Q1 to 42.6% in the second quarter. Asia-Pacific inbound ratio rose slightly to 61.4% in Q2 compared to 57.6% in the first quarter.

Across sectors, Business Services was the most active sector this quarter with 847 deals, followed by Media & Technology (626 deals), and Industrial (575 deals). This was a slight increase across the board from previous quarter activity where there were 820 Business Services deals followed by Industrial (557) and Media & Technology (551).

Regionally, preferences followed familiar patterns in Q2, with North America a popular home for Business Services deals (486 vs 461 in Q1), followed by Media & Technology (385 vs 316 in Q1) – a notable increase, and Industrial (315 vs 312 in Q1). Business Services (114 vs 126 in Q1) also led in the UK&I, followed, by Media & Technology (64 vs 76 in Q1) and Industrial (47 vs 56 in Q1). In Iberia, Business Services (47 vs 35) led Industrial (27 vs 15), followed by Consumer (44 vs 18), just as in the first quarter. The Nordics also led with Business Services (94 vs 72) followed by Industrial (77 vs 68), and Consumer (44 vs 28). Finally, in Asia-Pacific, sectoral interest stayed focused on business services, followed by Industrial and Media & Technology.

Global warming, trade wars, and politicians – there were several weeks in the second quarter when the risk factors started to look like the makings of a perfect storm. Yet for mid-market M&A, the second quarter ended up being more like a perfect swim – not too cold, not too hot, and not too choppy.

“Looking ahead to the second half of the year, the outlook remains strong. On the other hand, it’s probably not a good idea to take this relative calm for granted.”

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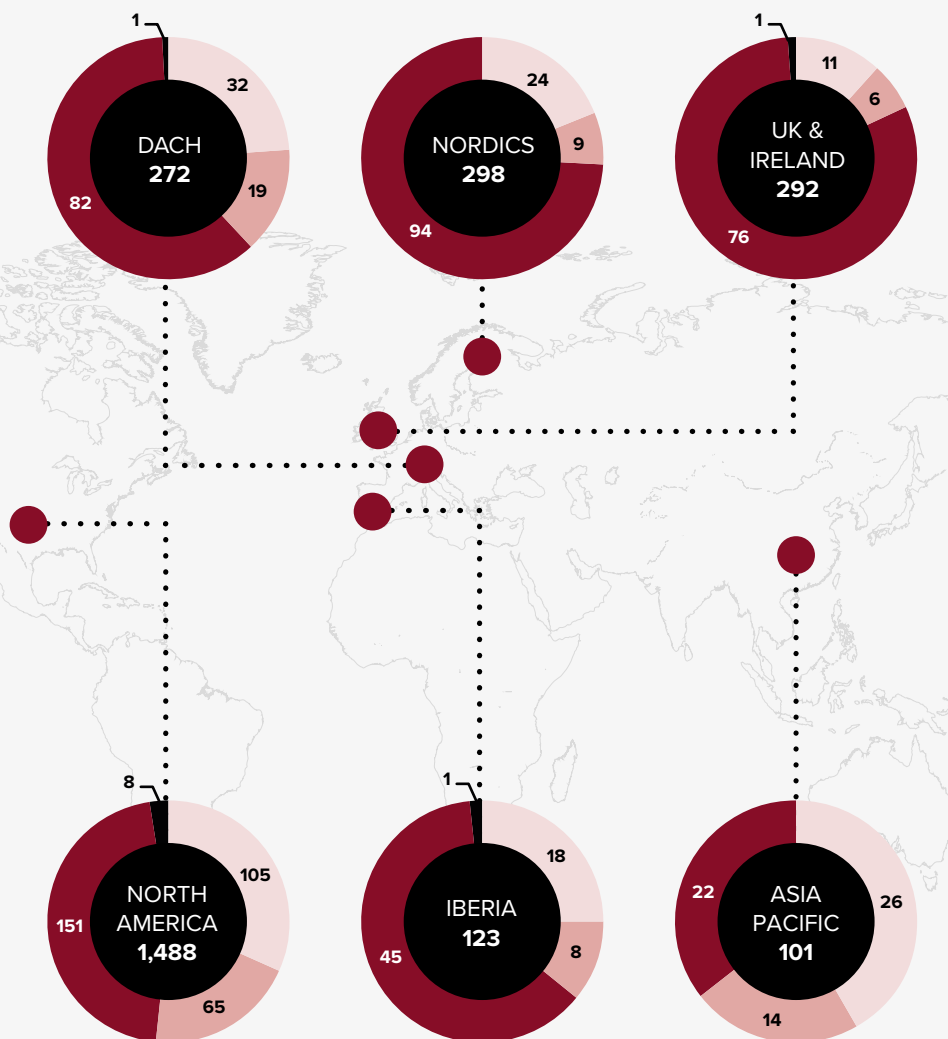
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WHERE ARE THE BUYERS COMING FROM?

The charts show the total number of inbound M&A in Q2 2019 by region for each jurisdiction

KEY

AMERICAS ASIA & AUSTRALIA EUROPE MIDDLE EAST & AFRICA



	DACH	Iberia	Nordics	UK & Ireland	North America	Asia Pacific
Inbound deals	134	72	127	94	329	62
Domestic deals	138	51	171	198	1,159	39
Total deals	272	123	298	292	1,488	101

Looking ahead to the second half of the year, the outlook remains strong. Unemployment is at record lows in the US, and most of Europe is also enjoying fairly strong levels of employment. Furthermore, central banks are all but promising rate cuts from today's already low interest rates.

However, we shouldn't take the current calm for granted. There are several potential disruptive factors that could have a severe impact on the global economy. Trade wars and real wars will always impact the global economy. Brexit, though now long anticipated, could still have unpredictable consequences. Finally, the climate threat and extreme weather could bring about unforeseen consequences like damaging crops and disrupting supply chains.

If something serious were to happen, central banks have warned that today's ultra-low interest rates mean they won't be able to cut interest rates as they did in the last crisis. And high levels of public debt would limit their options for stimulus spending.

The world's current macroeconomic leadership is also arguably much less experienced than its predecessors in 2007-2008, when the people in charge included a scholar on the Great Depression (Federal Reserve Chairman Ben Bernanke), the former chairman of Goldman Sachs (Bush Treasury Secretary Henry M. Paulson Jr.), and a former undersecretary of the Treasury who had managed financial crises in Brazil, Mexico, Indonesia, South Korea, and Thailand (Obama Treasury Secretary Timothy Geithner).

They see more financial crises as inevitable, and are not optimistic about the ability of anyone to prevent them. As they write in their recent co-authored book, *Firefighting: the Financial Crisis and its Lessons*, "Financial systems are inherently fragile, and financial risk tends to migrate around regulatory obstacles, like a river flowing around rocks. There's no sure way to avoid a panic, because there's no sure way to avoid overconfidence or confusion."

But for now, at least, the deals continue.



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