Datasite Forecaster
October 2022 update

Trends based on Datasite's proprietary, aggregated, and anonymized transaction data.

Datasite®
Where deals are made

Global M&A activity down but not out

On the surface, things look grim. Macro-economic headwinds ranging from the US Federal Reserve's decision to raise interest rates, Europe's energy crisis, currency fluctuations, China's zero-covid policy, ongoing inflation, and the Ukraine-Russia war combined to push both the volume of publicly announced deals and deal launches down sharply year-over-year (YoY) up to September 30. Blockbuster headlines like Elon Musk's on-again, off-again deal to buy Twitter add to the sense of stress.
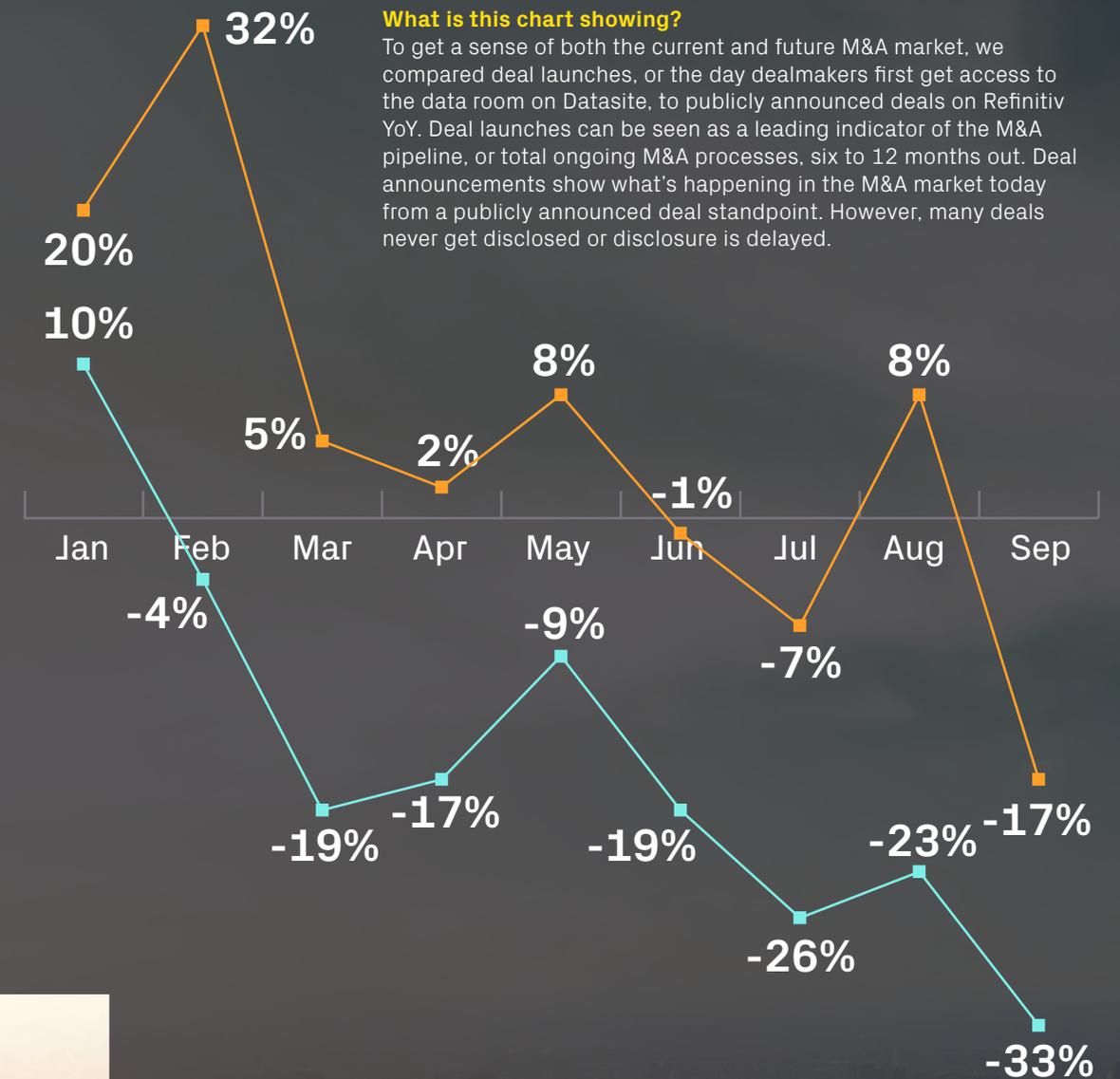
However, reasons for optimism persist. M&A deal launches on Datasite have remained far more buoyant YoY than publicly announced M&A activity, suggesting dealmakers are optimistic that M&A processes will move forward once macro-economic conditions settle. Indeed, cumulatively, M&A deals launched this year are still up by 4% from 2021 YoY.

In current turbulent market conditions, it's impossible to predict what the next year will bring. However, here are some considerations going forward:

- The M&A outlook remains robust, with plenty of deals prepped and ready to move once market conditions improve.

- The ongoing 15%+ delta between deal launches and announced deals since February, when the Russia-Ukraine war started, suggests the smaller, less visible M&A market has kept busy throughout the year.

- The spike in M&A process launches in August suggests we may see a bump in announced deals starting next year.

Deal launches vs. announced deals YoY (YTD)

- Launched % YoY ■ Announced deals % YoY[1]

What is this chart showing?
To get a sense of both the current and future M&A market, we compared deal launches, or the day dealmakers first get access to the data room on Datasite, to publicly announced deals on Refinitiv YoY. Deal launches can be seen as a leading indicator of the M&A pipeline, or total ongoing M&A processes, six to 12 months out. Deal announcements show what's happening in the M&A market today from a publicly announced deal standpoint. However, many deals never get disclosed or disclosure is delayed.

Launched % YoY: Jan 20%, Feb 32%, Mar 5%, Apr 2%, May 8%, Jun -1%, Jul -7%, Aug 8%, Sep -17%

Announced deals % YoY: Jan 10%, Feb -4%, Mar -19%, Apr -17%, May -9%, Jun -19%, Jul -26%, Aug -23%, Sep -33%
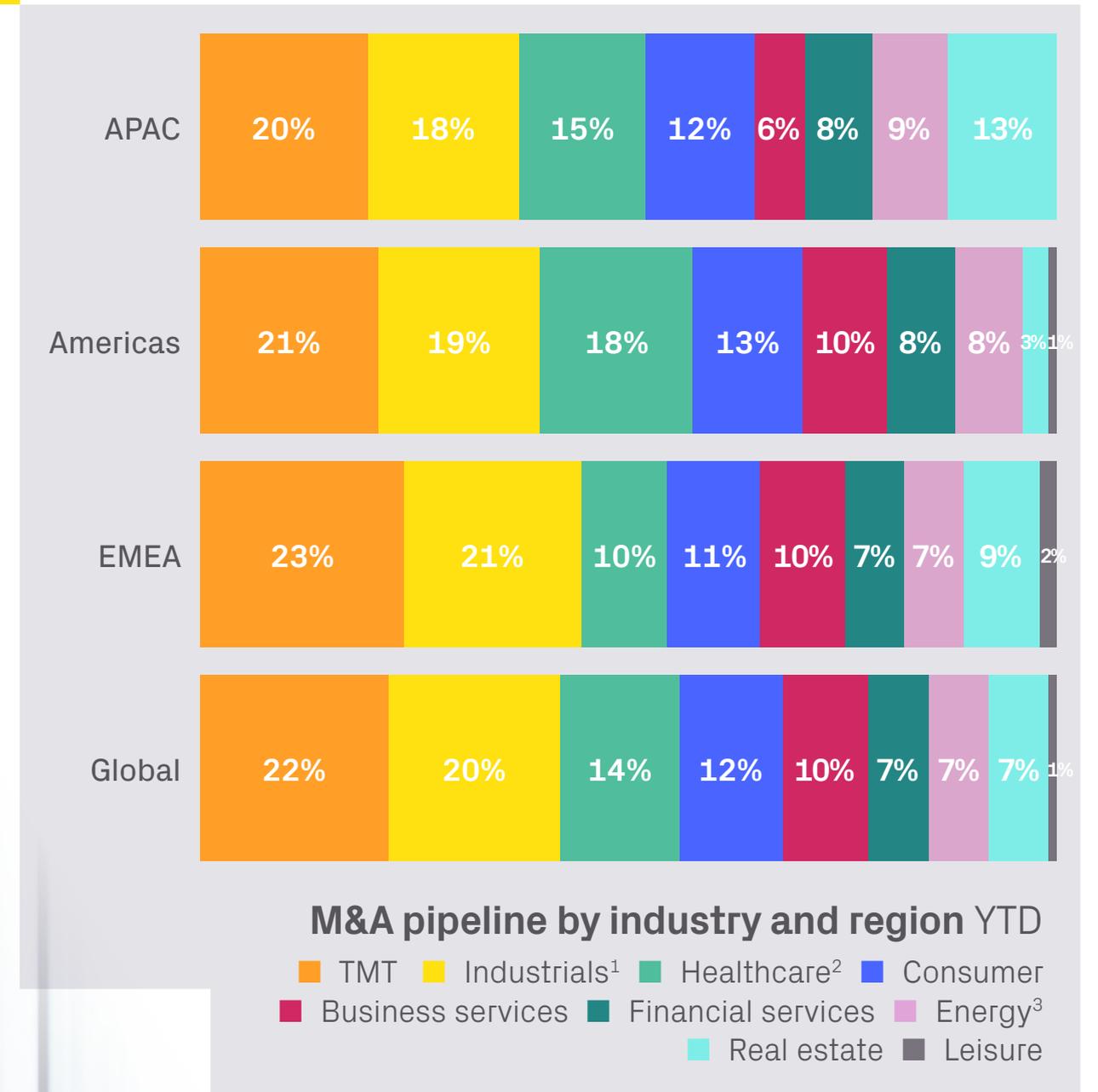
A flattening industry spread

What do the M&A processes hosted on Datasite look like when split by industry? Once again, industrials[1] is the story of the year, bumping its global market share up 2% in September, from 18% at the end of August.

Industrials isn't the only industry growing its relative market share, however. Business services, consumer, and real estate continue to expand their M&A footprints, creating a more evenly distributed sector balance than in years past. Consumer is strongest in the Americas and APAC; business services in the Americas and EMEA; and, finally, real estate is biggest in APAC and EMEA.

In EMEA, the technology, media, and telecoms (TMT) and industrials sectors loom over the M&A landscape. This is largely at the expense of healthcare, which at 10% in EMEA takes up a smaller space than in the Americas or APAC.

The Americas dominates when it comes to healthcare, propelled by its strong private healthcare market and IP and patent laws. Finally, APAC real estate activity has bigger proportions than in other regions – mainly at the expense of business services.

M&A pipeline by industry and region YTD

Region	TMT	Industrials[1]	Healthcare[2]	Consumer	Business services	Financial services	Energy[3]	Real estate	Leisure
APAC	20%	18%	15%	12%	6%	8%	9%	13%	
Americas	21%	19%	18%	13%	10%	8%	8%	3%	1%
EMEA	23%	21%	10%	11%	10%	7%	7%	9%	2%
Global	22%	20%	14%	12%	10%	7%	7%	7%	1%

Legend: TMT · Industrials[1] · Healthcare[2] · Consumer · Business services · Financial services · Energy[3] · Real estate · Leisure

The Datasite Forecaster view: What's up, down, and neutral YTD

Setting total industry numbers aside, where do we see the most relative activity by region and industry? Which areas are neutral or cooling off compared to last year?
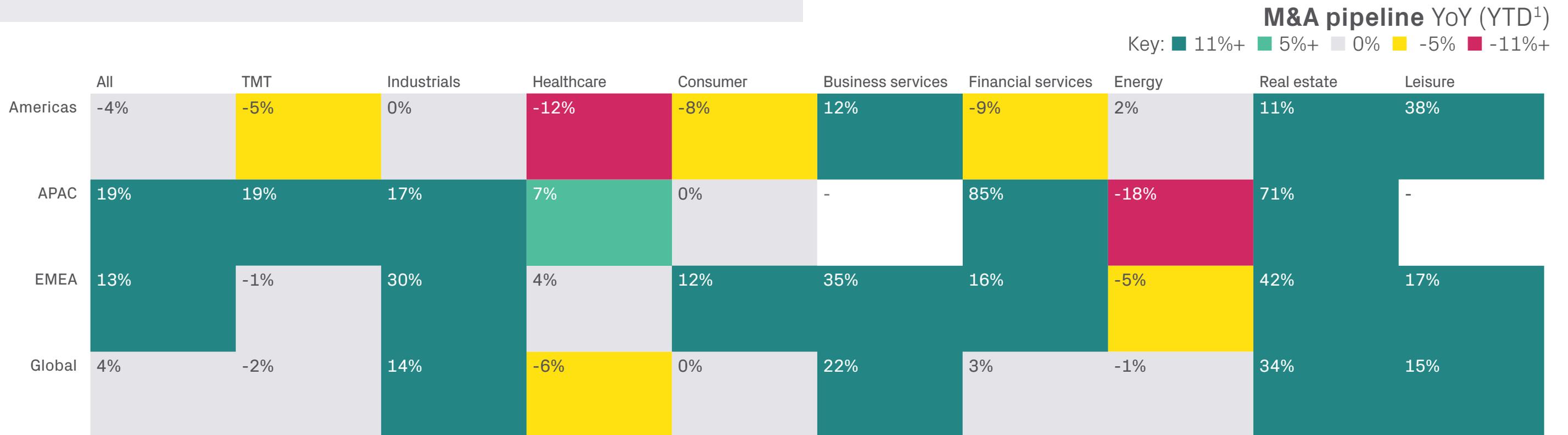
EMEA's biggest bright spots are industrials and financial services, which appear unmoved despite downward swings in other areas. TMT, EMEA's largest sector, took the biggest hit, falling 10 points to -1% from 9% up YoY since our September update. Smaller industries also cooled, including healthcare, real estate, and business services.

In APAC, consumer rebounded, climbing to neutral YoY from -9% last month. Real estate, APAC's second-hottest industry, also got hotter, offsetting (relative) cooldowns in TMT, industrials, and healthcare.

TMT, industrials, and healthcare, North America's three largest industries by volume, held mostly steady from month-to-month, as did business services and consumer. Real estate and energy chilled.

Consumer had a strong month in Lat Am, and TMT, industrials, and energy continue to be up YoY. Meanwhile, healthcare is down.

The global bottom line: industrials, business services, and real estate activity remain bright spots on the M&A map. TMT and healthcare are facing more headwinds, particularly concerning given the large volume of deals in play.

M&A pipeline YoY (YTD[1])

Key: ■ 11%+ ■ 5%+ ■ 0% ■ -5% ■ -11%+

	All	TMT	Industrials	Healthcare	Consumer	Business services	Financial services	Energy	Real estate	Leisure
Americas	-4%	-5%	0%	-12%	-8%	12%	-9%	2%	11%	38%
APAC	19%	19%	17%	7%	0%	-	85%	-18%	71%	-
EMEA	13%	-1%	30%	4%	12%	35%	16%	-5%	42%	17%
Global	4%	-2%	14%	-6%	0%	22%	3%	-1%	34%	15%

1. To ensure healthy sample sizes wherever possible we choose to review total deals hosted on Datasite cumulatively YTD instead of on a month-to-month basis. We only show YoY where the sample size is > 20 processes.

The forecaster compiles data from deals conducted on Datasite's platform, aggregated and anonymized to protect client confidentiality. Datasite hosts more than 13,000 projects a year and has over 50 years' experience in M&A, so we have one of the largest databases of current and historical M&A deal activity in the world.

We cleaned and prepared our data using the R statistical programming environment. Then we defined a 'typical' Datasite-hosted project using three criteria. Firstly, we used the median (rather than the mean). Secondly, we based our benchmarks on sell-side deals only, but included all M&A activity in our current reviews and forecasts. Thirdly, in order to compare timeframes consistently, we broke these into two parts: days from project creation to launch ('prep time') and days from launch to close ('due diligence time'). We excluded projects that were never launched or still open.

We used the same methodology for forecasts relating to specific sectors, scenarios, and Datasite products. We reviewed sector breakdowns only in countries with 100+ transactions a year, and we reported on countries only where our sample size was 40+ transactions a year.

From this data we have produced:

1) Informed estimates about future deal volumes
2) Benchmark data drawn from historical deals

13k+
transactions annually

80k+
logins monthly

170
countries covered

50+
years of experience

The Datasite view: definitions

To provide clarity on how we are filtering and categorizing our data, which is all aggregated and anonymized, we have developed the following definitions.

- **M&A or deal.** Datasite projects categorized as an asset sale, merger or asset purchase.

- **Deal launches or kick-offs.** The day dealmakers first get access to the data room.

- **M&A pipeline.** The total number of ongoing M&A processes on Datasite during a given time period, regardless of the deal's stage, size, or public status.

- **Prep time.** The median time from project creation to launch.

- **Due diligence time.** The median time from project launch to close.

M&A market activity

What the public sees

Publicly announced deals

What we see

Undisclosed deals

Active, unannounced deals

Deals put on hold

Failed deals

We are Datasite

Datasite is where deals are made. Driving M&A in more than 170 countries. Delivering many of the world's top transactions – sell-side, buy-side, and beyond.

Discover an end-to-end M&A suite built around the world's most trusted data room. In one place you have all you need for every type of project, from advanced AI tools to global support 24/7/365. Seamless processes cut deal times by up to 40%. And a fast-evolving platform keeps you one step ahead of the competition. Secure your success with Datasite.

#wheredealsaremade

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